RESEARCH REPORT

AFFORDABLE HOUSING SOLUTIONS

FIFTEEN SUCCESSFUL PROJECTS

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AFFORDABLE HOUSING SOLUTIONS

FIFTEEN SUCCESSFUL PROJECTS

by
Deborah Kraus
Margaret Eberle
Joffre Pomerleau

for
Fanis Grammenos, Senior Researcher
Research Division
Canada Mortgage and Housing Corporation

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TABLE OF CONTENTS

Introduction 1

Part I - Overview of case studies 1
- Impact of model on affordability 2
- Rental housing 3
- Life leases 3
- Ownership housing-condominium and freehold 4
- Ownership housing-Options for Homes model 4
- Guaranteed equity ownership 5
- Strata title equity co-operative 5
- Rental co-op 5
- Co-housing 5
- Development fund 6

Part II - Reasons for success 6
- Reducing the cost of land 6
- Fundraising 7
- Acquiring buildings/properties at an affordable cost 7
- Resident equity 8
- Affordable financing 8
- Partnerships 9
- Skills and expertise 9
- Provincial government support 9
- Municipal support 10
- Role of CMHC 11
- Media attention 11
- Internal subsidy by residents 12

Conclusions 12
- Development Models 12
- Key factors for success 12
- Transferability 15
- What is needed 16

Case studies

- Non-profit rental 18
  - Lionsview Building 3 19
  - Norgate House 23
  - Eccles 29
  - VanCity Place for Youth 35
  - Hydro House 41
- Life lease 47
  - Southwinds 49

Ownership 55
  Le Clos Mont Royal 57
  Hart and Ste. Cécile 63
  Parliament Square Co-operative 67
  Creighton/Garrish Development 75
Guaranteed Equity Ownership 83
  Somerset/Rochester 85
Strata Title Equity Co-op 91
  Moral Imperative 93
Rental Co-op 97
  Bluestem Housing Co-op 99
Co-housing 103
  Quayside Village 105
Development Fund 113
  FADRHAQ 115

Appendices

Appendix A-1 : Classification Matrix A-1
Appendix A-2 : Reasons for Success A-2

Endnotes 125

INTRODUCTION

This report documents 15 innovative approaches that are being used by non-profit and co-operative housing groups across Canada to create affordable housing.

Fifteen case studies have been prepared, and these are intended to supply practical, easy-to-read information. It is hoped that interested groups will be able to identify the key factors for success and obtain sufficient information to enable them to determine which approaches might work best in their own communities.

This report also includes a table that organizes the projects described according to the development model that was used. The chart includes key information about each initiative and is intended to assist groups in their search for an approach that might work for them. A copy of the classification matrix is attached as Appendix A-1.

The initiatives in this report are a first step in a process of developing a larger, more comprehensive information base on affordable housing approaches, strategies and techniques. An objective for the future is to create an ongoing system for sharing information throughout the sector about all the various affordable housing projects in the country.

In this report, *affordable housing* means housing that meets the needs of low and moderate income households as well as housing that allows the provision of services to households with special needs in a way that may cost fewer government dollars than development through previous programs.

Overview of case studies

This report includes case studies of 15 different projects. They have created 318 units and another 329 units are under development, for a total of 647 units. A variety of different models[1], strategies and mechanisms were used to develop these units, and the number of units produced ranges from one to 180 per project. The following table shows the different models used to develop the projects. A complete summary of each one is found in the classification matrix, Appendix A-1. The next section discusses the various models that were used and the following focuses on the key factors for success.

Table 1

Model	Residents served	Income group	Rent/Price	# projects	# units
Non-profit rental	Families, seniors, people with special needs and youth	Low & moderate	RGI-$1185/m	5	127
Life lease	Seniors	Moderate	$80,200-$165,400	1	161
Ownership	Mix	Low & moderate	$46,000-$295,000	4	272
Guaranteed equity ownership	Families with children	Moderate	$85,000-$104,000	1	12
Equity co-op	Young singles and artists	Low	$500/mo.	1	6
Rental co-op	Young families	Low	$465/mo.	1	6
Co-housing	Mix	Moderate	$133,000-$230,000	1	19
Development fund	Families, singles and special needs	Low to moderate	$310-$550/mo.	1	44
				15	647

For each project, an analysis was done to determine if the units are affordable to low or moderate income households. A rental project is considered affordable to low income households if a tenant earning at or below the low income cut-off[2] for that city would pay 30% of their income or less. An ownership unit is considered affordable to low income households if they earn the low income cut-off or less and could purchase the unit so that annual mortgage, heating and property taxes do not exceed 32% of their income. Where possible, the analysis was done for two-bedroom family units. For ownership projects, we assume a 10% down payment unless otherwise specified.

Impact of model on affordability

The models used to develop the 15 projects contributed in varying degrees to their affordability. Each model has its advantages and disadvantages.

Some of the key factors that may influence a group's choice of model include:

- Whether the target group to be served has equity or not;
- Whether the sponsor group has other sources of equity for financial viability;
- Whether there is a desire to protect long-term affordability or not;
- Philosophy of the group, e.g. a desire for "co-operative" living;
- Whether the sponsor wants to have a long-term role in management or not;
- Tax considerations; and
- Specific opportunities attached to the land or property.

From the table below, it appears that rental housing is more likely to serve low income households, while ownership housing is more likely to serve moderate income households. The critical factor in making projects more affordable is the tools or mechanisms that can be used with the model. For example, the rental housing projects would not have been affordable to low income households without a variety of tools, including large donations, charitable contributions, and provincial rent supplement assistance.

Table 2

Model	Low income		Low & moderate income		Moderate income		Total	
	project	Unit	Project	unit	project	unit	project	unit
Non-profit rental	4	91	1	36			5	127
Life lease					1	161	1	161
Ownership			2	90	2	182	4	272
Guaranteed equity ownership					1	12	1	12
Equity co-op	1	6					1	6
Rental co-op	1	6					1	6
Co-housing					1	19	1	19
Development fund			1	44			1	44
Total	6	103	4	170	5	374	15	647

Table 3 below shows that rental housing, the guaranteed equity, rental co-op and co-housing models are providing for long-term affordability. The life lease and Options for Homes models offer reduced prices to initial purchasers, but subsequent purchasers pay full market prices. It is possible, however, to structure life leases so that future purchasers may also benefit from below market prices. Long-term affordability is not a feature of the equity co-op described, although it is possible to incorporate this element into the model. Co-housing does not usually provide for long-term affordability. In Quayside Village, however, this is a feature with the five units that received internal subsidies. Freehold and condominium ownership do not provide for long-term affordability.

Table 3

Model	Long-term affordability
Non-profit rental	Yes
Life lease	No
Ownership	No
Guaranteed equity ownership	Yes
Strata title equity co-op	No
Rental co-op	Yes
Co-housing	Yes (for internal subsidy units)
Development fund	N/A

Rental housing

Rental housing works well for households who do not have equity to contribute. There is nothing inherent in this model that makes it possible to produce affordable units. However, it is possible to house moderate and even low income households if other tools and mechanisms are used. Some of the mechanisms used in the case studies to reduce project costs or increase affordability are described below.

- Acquisition of property at below market prices (Hydro House)
- Ability to self-finance at a low interest rate (Hydro House and Eccles)
- Ownership of large parcel of land and increasing density (Lionsview)
- Municipal land lease (Norgate House and VanCity Place for Youth)
- Deferred payment for land (Norgate House)
- Donations (Norgate House and VanCity Place for Youth)
- Contribution from purchaser in return for a charitable tax receipt (Eccles)
- Charitable status which helps reduce costs (Norgate House)
- Provincial rent supplement (Norgate House and Creighton/Gerrish)
- Partnerships (Lionsview, Eccles, and VanCity Place for Youth)

Most of these mechanisms involve either a one-time or ongoing subsidy by a level of government, public agency, charitable organization, private company or individual.

Rental housing projects are expected to be affordable over the long term because of the mandate of the sponsoring organization and because the group has control over the rents.

Life leases

Life leases provide a viable way to produce affordable housing without government funding because of the equity provided by purchasers. In Southwinds, residents provided equity in the amount of 25% for the down payment, and 60% of the units in each phase were pre-sold.

Assistance from the developer in financing the purchase of land was the most critical factor for the success of this project. The project would not have been able to proceed without this assistance. The developer was willing to assume the risk in return for an agreement that he would be hired to undertake the construction on a turnkey basis. He understood the seniors market and had a good working relationship with the development consultant.

Initial purchasers were able to obtain units at about 15% below market prices for comparable condominiums because the goal was to sell units at a break-even cost. In addition, some of the costs associated with condominiums were avoided: life lease projects do not require registration, the New Home Warranty Program may not apply, and the GST treatment for this type of project is less than for condominiums since it is based on the rental value rather than market value.

Long-term affordability is not a feature of this model where agreements provide that owners may resell their units on the open market. In these projects, affordability is reduced for subsequent purchasers.

Life lease projects may work anywhere for seniors who have sufficient equity and are interested in living together.

Ownership housing–condominium and freehold

The development of ownership housing by non-profit groups is relatively new. Some of the advantages compared to rental housing include the following:

- The down payment provided by purchasers helps with financing;
- The developer can avoid administration costs associated with rental housing; and
- Maintenance costs for ownership housing are lower because purchasers are responsible for their own units.

Factors that can assist in making ownership housing more affordable include:

- Density bonusing (Le Clos Mont Royal and Quayside Village)
- Other municipal support, e.g. permitting innovation in meeting requirements (Le Clos Mont Royal), re-zoning to permit increased density (Hart and Ste. Cécile development) and land acquisition (Creighton/Gerrish Development)
- The "right property at the right price" (e.g. good location and building meets neighbourhood specific criteria) (Le Clos Mont Royal)
- Deferred payment for the land (Hart and Ste. Cécile development)
- Partnership with developer who may assist with financing (Le Clos Mont Royal)
- Equity contribution from land owner (Parliament Square Co-operative)
- Lower interest mortgage rates (Creighton/Gerrish Development)

Further discussion of these factors is found in the next section. Most of them involve either a one-time or ongoing subsidy by a level of government, public agency, charitable organization, or individual.

Ownership housing–Options for Homes model

In Parliament Square, the use of a building co-operative shows how costs may be reduced. The developer's earnings are eliminated because the purchasers, members of the building co-operative, act as the developer. Marketing costs are minimized because there is reliance on mailings, word-of-mouth and information meetings. The need to create a model suite is obviated. Affordability is enhanced because the building includes fewer amenities to keep costs down[3]. Units are also more affordable to purchasers because they receive a discount based on the difference between the cost to develop their unit and the market value (10% in this project). These features make it possible to serve a mix of low, moderate and some higher income households.

Under this new model only the initial purchasers realize the affordability benefits. Subsequent purchasers will pay the full market price.

Another key aspect of this model is the ability to develop additional affordable housing projects on an ongoing basis. This is achieved by recovering the difference between the cost price and market value by way of a 2nd mortgage applied to the condominiums and repayable upon first resale. When the 2nd mortgage is repaid, it is deposited into an equity pool that is used to start another similar project elsewhere. As the equity pool grows, it is expected that future projects could be even more affordable.

This model is being used in several projects. As of July 1998, 557 units in five projects, including Parliament Square, have been created or are under development.

Guaranteed equity ownership

The guaranteed equity ownership model is currently being used in the development of Somerset/Rochester. This model gives purchasers the right to occupy a unit according to a specific agreement. When purchasers want to sell their units, they must sell them back to the developer. The developer guarantees to buy the unit back at an agreed upon price, and provides a guaranteed return on the purchaser's equity. This model was developed by the Metropolitan Toronto Housing Development Corporation and used in the 124-unit Glenmaple Seniors Equity Housing Project in 1993.

In Somerset/Rochester, the developer hopes to incorporate a self-help component, which could reduce construction costs by 5-10%.

This model can help ensure long-term affordability through the lease conditions that give the non-profit developer greater control than if the unit were freehold ownership. Units cannot be sold on the private market. The model is transferable and can work well for groups with an established administrative structure. It is also necessary to find an agency willing to guarantee the buy-back of units. Financial risks of this fund are expected to be minimal.

Strata title equity co-operative

The Moral Imperative project demonstrates the benefits that may be realized when a group of people take collective action and pool their resources. The strata title model was the most important factor for success because it made it possible for individuals to obtain financing for their units. Being able to obtain high ratio home ownership NHA insured mortgages also helped co-op members access funding to purchase their units. Affordability was achieved because units were purchased at cost, residents controlled the price, and a pool of capital was able to assist people who needed it.

In the Moral Imperative, members decided not to cap the resale price, as one of their objectives is to realize some equity in their home. Therefore, units may be less affordable for subsequent purchasers.

Rental co-op

This model also involves the pooling of resources by a group of people willing to live together. Equity was provided by each member who purchased 500 shares at $1/share. In addition, six members provided no interest loans, which was necessary to secure financing.

The most important factor for the success of this project was the group's ability to secure affordable financing. This included:

- Interest free loans from prospective members;
- A 1st mortgage from a credit union at a lower rate; and
- A 2nd mortgage from a private individual at the same interest rate as the 1st mortgage.

The ability to acquire a reasonably priced building also contributed to the affordability of this project.

Affordability is protected over time because of controls over re-sale. Upon re-sale, the members must sell their shares back to the Co-op, and they will receive their original deposit ($500) in return.

Co-housing

Co-housing is able to serve moderate income households because of the role of the members in the development process, which includes assuming the financial risk and contributing equity. This model requires people who are willing to work together and can contribute about 15% to 20% of project costs. The most significant difference between co-housing and other strata title developments is the philosophy and vision regarding the use of common space. This model differs from an equity co-op because there are no shares involved. However, it could be possible to deliver co-housing as an equity co-op.

The most important factors that contributed to the affordability of this project include the density bonus provided by the City of North Vancouver and the internal rent supplement assistance provided by the residents. Other factors include:

- Units that are smaller than typical homes;
- A reduction in some day-to-day expenses because they are shared, e.g. laundry and gardening tools;
- Reduced maintenance costs because tasks are carried out by members;
- Shared services, e.g. carpooling and cooperative child care.

Development fund

The creation of a development fund can play a pivotal role in assisting groups with financing. In the FADRHAQ case study, the City of Québec provided an interest-free loan of $1 million for the fund. FADRHAQ uses the development fund to provide loans for:

- 2nd or 3rd mortgages at a rate below market;
- mortgage guarantees with favourable conditions and lower rates;
- interim financing;
- a deposit on land; and
- appraisal of possible properties.

The Government of Quebec established a similar model to FADRHAQ in 1997 on a province-wide scale.

Part II - Reasons for success

The following section describes each of the factors mentioned by groups as a reason for the success of their project. A complete list of each factor is found in Appendix A-2. In addition, for each project, an attempt was made to identify which mechanism made the most significant contribution to affordability and the project's success. These key factors are listed first under reasons for success in each case study. Identifying the key factors was accomplished in several ways: asking the sponsor or key informant for their opinion, reviewing all the case studies, and analyzing the financial contribution of various factors employed by the case study projects. This was not a simple task, as many projects employ several tools or mechanisms, the combination of which results in affordability. In addition, although one or more factors may be responsible for the largest share of reducing project costs, they may not be sufficient to achieve success. Other factors might also be needed.

It is important to note that none of the projects would have succeeded but for the determination of the sponsor group and their tremendous contribution of volunteer time over several years. These efforts must be recognized as the key determining factor for success. If these volunteer hours could be quantified in some way, the overall project cost would be much higher.

Reducing the cost of land

The ability to secure land is a critical factor in any development. In the projects featured, several mechanisms made it possible for groups to obtain land cheaper or at no cost.

a) Non-profit redevelopment–ownership of a large parcel of land and increasing density
Ownership of a large parcel of land and increasing density was the most important factor for success in the Lionsview Building 3 project. The B.C. Housing Foundation already owned a 91-unit seniors project on a three-acre parcel of land. The existing project was slated for

redevelopment. The society did not incur any land costs since they already owned the land. In addition, market conditions were optimum (Vancouver, B.C.) because high property prices ensured the group was able to receive a good price for the sale of the condominiums. Proceeds from the sale of the land and completed condominium units were used to finance development of a new 34-unit seniors building.

The strategy of increasing density on an existing site holds potential for non-profit and co-op societies in the future as mortgages for their projects are paid off and operating agreements with the federal or provincial governments expire. However, the success of this factor will depend on local market conditions and the specifics of individual sites. In some cases, it may be necessary to put in place measures to ensure long-term affordability.

b) Leased land-municipal terms
The terms of municipal land leases were instrumental in two projects: Norgate House (District of North Vancouver) and VanCity Place for Youth (Vancouver). In Norgate House, the ability to defer payment until sufficient revenues are generated was the key factor for success. The innovative lease structure meant that the amount of funds the society needed to borrow was limited to soft and construction costs. It is estimated that the District will not realize any revenue from the land for at least 10 years (except for a nominal amount of $100 per year).

The City of Vancouver leased land to the VanCity Place Society for a nominal fee of $1. Upon the expiration of the 60-year lease, the land will revert to the City. This was a special situation as the City's usual policy is to lease land at 75% of freehold market value for 60 years.

c) Deferral of payment for land
The deferral of payment for the land was the most important factor for success in two projects: Norgate House and Hart and Ste. Cécile. In Norgate, it was a municipality that deferred payment. In Hart and Ste. Cécile (Trois Rivières), it was the Caisse Populaire that owned the property and was willing to defer payment for seven years. The lending institution was eager to dispose of properties, which it had obtained through foreclosure.

d) Favourable market conditions
Flat real estate markets with a good supply of reasonably priced land can provide good opportunities for groups to develop affordable housing. At the same time, a high market can provide opportunities for groups with land who are willing to redevelop their properties (e.g. Lionsview). They could either sell a portion of the land or use the increased equity to raise capital for a new project.

Fundraising

The ability to raise major donations was the most important factor for success in VanCity Place for Youth. It was also critical to the success of two projects: Norgate House and Eccles. In Norgate House, donations were provided by two different foundations for a total of $416,000.

In the VanCity project, $3.2 million in cash and land was donated by a variety of sources, including the VanCity Credit Union, VanCity Community Foundation, VanCity Credit Union staff, the City of Vancouver, the Real Estate Foundation of B.C. and the Zajac Foundation. In fact, the impetus for this project came from the VanCity Credit Union staff who identified the need. Each year they hold a fundraising event and decide where the money raised will be donated.

Having charitable status played a pivotal role in being able to attract donations in the Eccles project, where the owner received a tax receipt for the difference between the market value of his property and the sale price. In this project, people in the community donated the furnishings.

In some cases, having charitable status may reduce costs. For example, Norgate House was able to realize tax concessions of about $200,000. Charitable status enabled the group to benefit from a reduced GST rate and an exemption from the property transfer tax.

Acquiring buildings/properties at an affordable cost

Acquiring buildings at an affordable cost was the most important factor for success in the development of Hydro House. It was also important in Eccles, Moral Imperative, and Bluestem Housing Co-op. The groups were able to obtain "the right property at the right price". The ability to find an affordable building that does not require extensive or expensive renovations is often a more affordable option than new construction.

With Hydro House, Kitchener Housing Inc. was able to take advantage of provincial legislation that required utilities to offer their surplus properties to the municipality at cost. In this way, the sponsor group was able to provide affordable housing to a low income family. Although this house produced only one housing unit, this was the group's third project of this type.

The ability to obtain buildings at a reasonable price will also depend on local real estate markets. The Moral Imperative, Bluestem Housing Co-operative and Eccles projects were able to benefit from markets where real estate prices were generally affordable. The most important factor in the Eccles project was the willingness of the owner to make an equity contribution in return for a charitable tax receipt. However, he may not have done this if the market was such that he could have sold his properties in a more active market.

Groups may be able to take advantage of other opportunities to acquire buildings at a reasonable price. For example, lenders or financial institutions may want to dispose of properties obtained through foreclosures as quickly as possible. They may be willing to sell at a low price or offer favourable terms such as deferred payment (Hart and Ste. Cécile development).

Resident equity

Resident equity was necessary for the success of several projects. This was true for Southwinds, a life lease project, where future residents were required to contribute a down payment of 25%, and 60% of the units were pre-sold in each phase. In Parliament Square Co-operative (ownership), 80% of the units were pre-sold at the time of construction. In the Moral Imperative, initial group members pooled together to pay a deposit of $10,000 to hold the property. Each co-op member bought a share in the co-op worth $2,000, which is refundable upon leaving. Each unit was also individually financed with 5% down and a 95% NHA insured first homeowner mortgage loan. In Bluestem Housing Co-operative, equity was achieved through the sale of shares as well as no interest loans from six members in the amount of $3,000 each to be repaid in five years.

In Quayside Village, group members assumed financial risk as eight households contributed equity in the amount of $150,000 each for a total of $1.2 million to purchase the land.

Resident equity projects are transferable. However, because of the significant contribution that may be required, they are most often geared to seniors with equity in an existing home, or moderate income households.

Affordable financing

a) Ability to self-finance

The ability to self-finance was a factor for success in both the Hydro House and Eccles projects. With Hydro House, Kitchener Housing Inc. was able to borrow from itself at a low interest rate of 3% (the market rate would have been 6% or 7%). The bank would not have financed the project because there was no equity. In the Eccles project, Centretown Citizens Ottawa Corporation (CCOC) was also able to use its own reserves to purchase the building, and they are paying themselves back at the rate of 6% for 30 years. Again, it would have been difficult for CCOC to obtain private financing with only a 10% down payment.

b) Low interest mortgages
The ability to secure mortgage financing at below market rates was the most important factor for success in the Bluestem project as noted above. It also assisted with financing and enhancing project affordability in Lionsview and Creighton/Gerrish. In some cases, financial institutions may agree to provide mortgages at below market rates. It is also possible to interest private investors in providing financing at a lower rate.

Partnerships

a) With developer/land owner
Partnership with a developer was the key factor for success in the Southwinds project. It was also important in several other projects where the developers/land owners assumed up-front financing costs and risks. Developers were also willing to offer the groups the benefits of their experience. In return, the developer was guaranteed some work and had the opportunity to secure a profit if the development proceeded. For example, in Southwinds, it was agreed that the contractor would be hired for construction. The following are some examples of partnerships:

Norgate House—the private developer assisted by guaranteeing a portion of interim interest costs, providing a letter of credit to the municipality for road improvements, and financing municipal fees until the 1st mortgage advance.

Southwinds—the developer assumed some of the up-front costs and carried the land until the units were sold.

Le Clos Mont Royal—the developer assumed the risk in carrying the cost of the land and some financing costs during construction.

Lionsview—As part of its development strategy, the Board interviewed several architect/developer teams with the aim of finding experienced individuals with the financial backing and willingness to carry front-end costs, including the cost of re-zoning and consolidation, and development of necessary plans.

In Parliament Square Co-operative, the land owner took a vendor-take-back mortgage to provide equity for interim financing and guaranteed to buy back 26 units if sales collapsed.

b) With non-profit/charitable agency
A partnership with the Canadian Mental Health Association (CMHA) was critical to the success of the Eccles project. Both organizations needed the other. CMHA approached CCOC because of its expertise in developing and managing non-profit housing. CMHA's role is critical in being able to provide a charitable tax receipt to the vendor for his donation, providing case worker support to the tenants, guaranteeing to offset vacancy loss to a certain extent, and assisting to fill the units.

Skills and expertise *(Development consultants, resource groups and staff)*

Almost all of the groups pointed out that the skill, expertise or commitment of the resource group, development consultant or staff was critical to the success of the project. In one project it was noted that "having one key person to act as the engine and keep the momentum of the project going at all times" was a critical aspect. This makes sense because these groups are trying to do something new. Developing affordable housing without a government program requires different skills from what was needed in the past. Projects that have succeeded have depended on having a team with the necessary skills and expertise and commitment. These groups often donate many hours of unpaid time, as the project could not absorb the true costs of their labour in the budget.

Provincial government support

Assistance from provincial governments played a key role in several of the projects, as described below.

a) Rent supplement assistance
This was a key factor that enabled Norgate House to serve low income households. The provincial government, through BC Housing, entered into a 10-year agreement to provide rent supplement assistance to 10 residents who will pay rents

geared to their incomes. This means that at least 10 of the 36 units will be able to serve low income households. The Province of Nova Scotia has also agreed to provide rent supplement assistance for five units in the Creighton/Gerrish Development.

b) Government programs
In Quebec, housing providers have access to two different programs which also involve the participation of municipalities. Under the revitalization program, the Province, in partnership with the City of Québec may provide up to 75% in renovation subsidies. In the "Accès-Logis" program, the Province may provide up to 45% in renovation subsidies and up to 40% in rent subsidies for a period of five years. In addition, a model similar to FADRHAQ was established on a province-wide scale by the provincial government in 1997.

c) Legislation
Legislation can have a positive effect on the development of affordable housing. For example, Bill 55 in Ontario, which required the Hydro Commission to dispose of its surplus property to other utilities or the municipality at cost, was key to the success of the Hydro House. Unfortunately, early in 1997 the legislation was changed so that all public agencies must offer their properties for sale at fair market value.

Provincial legislation that enables strata title to be used, as in the Moral Imperative, would also facilitate the production of affordable housing. It would be beneficial if this type of legislation could be available throughout the country.

d) Other
Nova Scotia has also agreed to provide a loan guarantee for the non-profit housing component of the Creighton/Gerrish Development and is considering providing an interest-free loan to assist in the purchase of land.

Municipal support

Municipal support was cited as a factor for success in half the projects described in the case studies.

a) Density bonusing
Density bonuses given by the City of Montréal in Le Clos Mont Royal and the City of North Vancouver in Quayside Village, were the key factors for success. They enabled the sponsor groups to build additional units, which made the projects economically feasible. Both groups commented on the extent to which the municipalities were flexible in interpreting regulatory requirements. For example, the City of Montréal allowed code requirements to be fulfilled in an innovative way (e.g. the elimination of some corridors, allowing two-storey units on the third and fourth floors that permitted fire code equivalencies) and this resulted in a more functional, attractive building and reduced construction costs.

b) Loans to a development fund
The City of Québec provided an interest-free loan of $1 million to FADRHAQ for the development fund to assist in the generation of co-op and non-profit housing in the city's urban core. The City also provided staff to serve on the FADRHAQ Board of Directors. This fund has played a pivotal role in the acquisition and renovation of 14 units to date, with another 30 under development.

c) Participation in provincial programs
The City of Québec is making a significant contribution through its participation as a partner in delivering provincial renovation programs. The City provides subsidies and property tax rebates to new homeowners.

d) Municipal land leases
As noted previously, municipal land leases played important roles in Norgate House and VanCity Place for Youth.

e) Other support
In the Hydro House, support from the City of Kitchener was critical to enable the sponsor group to purchase the property from the K-W Hydro Commission at cost. The Halifax Regional Municipality is also assisting the Creighton/Gerrish Development by providing advice, transferring the sites it owns for $1 and facilitating

Program	Project
Homeownership Mortgage Insurance	• Le Clos Mont Royal • Creighton/Gerrish Development • Somerset/Rochester • Moral Imperative
Proposal Development Funding (PDF)	• Norgate House • Creighton/Gerrish Development • Somerset/Rochester
Affordability and Choice Today (ACT)	• Creighton/Gerrish Development • Somerset/Rochester
Mortgage Insurance	• Norgate House
Centre for Public-Private Partnerships	• Creighton/Gerrish Development
Homegrown Solutions	• Somerset/Rochester

in the transfer of privately owned land. In the Hart and Ste. Cécile development, municipal staff and political support from Trois Rivières played an active role in permitting a re-zoning that increased the permitted density on the property from one to two homes. In Quayside Village, the City of North Vancouver provided support and advice as well as two grants of $1,500 each for community education about co-housing.

Role of CMHC

Support from CMHC was noted as a factor for success in several projects as set out below.

Groups that obtained PDF funds recognized it as a benefit. It is curious that more groups did not make use of these funds given the need for such assistance. Instead, some groups sought partnerships with developers who could finance up-front costs. In some cases, resource groups waited for payment until mortgage funds were secured. Non-profit and co-op housing groups in the Québec City region may be able to obtain assistance in overcoming project development hurdles from FADRHAQ, which offers low interest loans, interim financing, and mortgage guarantees.

High ratio mortgages are a feature of two of the ownership projects: Le Clos Mont Royal and Creighton/Gerrish Development and the guaranteed equity project Somerset/Rochester. They were also used in the strata title equity co-op project, Moral Imperative. This type of financing eased access as it made it possible for renters with limited down payments to enter the home ownership market. However, affordability is reduced as a result of the fees, which are an added cost to the purchaser.

Given the importance of mortgage insurance, it is significant that only a small minority of the 15 groups secured this form of assistance from CMHC. In fact, CMHC mortgage insurance was most frequently perceived and stated as an obstacle encountered during project development. Many groups expressed frustration with what they saw as high mortgage insurance costs and strict conditions for securing CMHC mortgage insurance. Often, groups found alternatives to mortgage insurance through self-financing, resident equity and pre-sales, finding a lender who would not require it, or securing a mortgage guarantee from the provincial government. An increased fee from 2% to 5.5% during project development, nearly put an end to the Norgate project. In the Québec City region, the development fund operated by FADRHAQ offers an alternative to CMHC mortgage insurance by providing its own mortgage guarantees as described in the case study.

Media attention

In some cases, a news story saved a project that was facing difficulties. For example, Norgate House experienced difficulties because the municipality was concerned the units were too expensive. The Zajac Foundation read about this and decided to provide financial assistance. The

Provincial Government also heard about this and offered to provide rent supplement funding. In the case of Quayside Village, CMHC heard about the project and contributed a gray water recycling system. In the City of Ottawa, the Eccles project came about following media coverage on a conference on homelessness. The vendor called the Canadian Mental Health Association to see how he could help and he was willing to sell his property at a discount.

Internal subsidy by residents

In some projects, depending on the willingness of the residents, it is possible to provide an internal subsidy to enable some units to be provided at below market costs. This was a key factor for being able to increase affordability for five of the 19 households in Quayside Village.

Conclusions

The 15 case studies contain information about the development of affordable housing without traditional government housing supply programs. A great deal of effort has gone into these projects which have produced or are producing close to 650 units. The following section offers some preliminary observations and comments on the models employed, key factors for success, transferability of these efforts and what is needed to promote future developments.

Development Models

We note that the development models selected for these projects do not seem to have as much influence on affordability as the use of certain factors or tools. The exceptions to this may be the strata title equity co-op model, the Options for Homes model, and the guaranteed equity model under development by CCOC (see Key Factors for Success). In addition, some models make it easier to take advantage of opportunities to use certain tools. The choice of model appears to be based upon sponsor philosophy, the target group or practical financial considerations.

We do however, observe a distinction between ownership strategies which produce long- term affordable units, and those that produce one time only affordable units for the initial owners. Rental housing, the guaranteed equity, rental co-op and co-housing models are able to provide for long-term affordability. The life lease and Options for Home models offer reduced prices to initial purchasers, but subsequent purchasers will pay full market prices. An advantage of the model developed by Options for Homes is that it provides a mechanism for ongoing development as 2nd mortgage funds are repaid, although the affordability benefits are only realized by the initial purchasers.

Key factors for success

First and foremost, the accomplishments documented by the case study projects would not have been possible without a tremendous amount of volunteer effort. Sponsor group members, and in some cases, resource groups and their employees, donate many hours of work, often over an extended period of time. Some projects took up to 10 years to complete! The amount of effort that has gone into producing the 650 units must be recognized as a significant factor for success and many people question if the enormous work involved will limit the ability of the sector to meet national housing needs.

The table below summarizes the key factors for success as identified in the case studies. It also identifies the relevant projects, comments on their general transferability, and identifies what is necessary to enable the tools to be used on a more widespread basis.

Table 4

Key Factor	Project(s)	Transferability	What is needed
1. Ownership of large parcel of land and increasing density	Lionsview Building 3	*Transferable* Requires: • Groups with large sites and mortgages nearing payout • Suitable local market conditions • Easier to serve low income with subsidy programs • Could work for a variety of groups with sites: churches & service groups	• Inventory of non-profit and co-op groups with potential sites for redevelopment and mortgages nearing pay out • Clarification of CMHC policy regarding paying down mortgages in various situations
2. Deferred payment for land	Norgate House, Hart and Ste. Cécile	*Transferable* May involve land lease or ownership Requires: • Municipality or private sector property owner willing to defer payment	• Study economic impact of deferred payments for vendors and lessors (e.g. municipalities)
3. Rent supplement/ subsidy	Norgate House, Quayside Village	Limited transferability May be provided by external agency (e.g. gov't) or by residents Requires: • Gov't/residents willingness to provide	• Economic analysis of benefits and opportunities for combining rent supplements with non-profit affordable housing projects • Education about internal rent supplement model
4. Contribution by vendor in return for charitable tax receipts	Eccles	*Transferable* Requires: • Group (or partner) must meet criteria for charitable tax status, i.e. seniors, persons with disabilities • Willing vendor/donor	• Education on use and potential of charitable tax status • Strategies for fundraising
5. Major donations	VanCity Place for Youth	*Limited transferability* Requires: • Major fundraising/ donations as key part of overall strategy	• Inventory of existing granting foundations and organizations and their requirements • Develop overall strategy for fundraising both for individual groups and sector wide

Key Factor	Project(s)	Transferability	What is needed
6. Acquire property at low cost	Hydro House	*Transferable* Requires: • Opportunities to acquire properties at below market values. Sources of land include: Banks and credit unions through foreclosures, churches, gov't and crown surplus property, and private individuals willing to sell at low price	• Up-to-date local inventories of vendors and properties • Communication between non-profit groups and property owners
7. Partnership with developer to finance land purchase	Southwinds	*Transferable* Requires: • Expertise and willing partner	• Information on how to create and foster successful partnerships
8. Density bonus/ increase density and flexible code interpretation	Le Clos Mont Royal, Quayside, Village Co- housing	*Transferable* Requires: • Suitable real estate market • Municipal will	• Investigate incentives and opportunities for density bonuses
9. Options for Homes model	Parliament Square Co-operative	*Transferable* Requires: • Development consultants expertise • Active housing market	
10. Guaranteed equity model	Somerset/ Rochester	*Transferable* Requires: • Group with administrative structure to handle resales • Agency willing to guarantee the buy-back of units	• Information about this model (e.g. opportunities, mechanism, legal implications)
11. Provincial and municipal assistance	Creighton/ Garrish	*Limited transferability* Requires: • Active gov't involvement in housing	• Education on benefits of affordable housing to the community
12. Strata title equity co-op model	Moral Imperative	*Limited transferability* Requires: • Supportive legislation	• Review of provincial land titles legislation to determine where this is possible • Examination of impact on affordability/ accessibility • Legislative changes in some provinces

Key Factor	Project(s)	Transferability	What is needed
13. Affordable financing	Bluestem Housing Co-op	*Transferable* Requires: • Private individuals, financial institutions or other sources (e.g. FADRHAQ)	• Consultation with financial institutions • identification of sources sources of private financing
14. Fund for affordable financing	FADRHAQ	*Transferable* Requires: • Source of capital, e.g. private donors, gov'ts, development charges etc.	• Study of all existing funds, how created and how used • Strategies for fundraising

The following are some preliminary observations:

- In most cases the key factor is a tool or mechanism. However, three models are seen as playing a key role in promoting affordability or accessibility (Options for Homes, guaranteed equity ownership and strata title equity co-op).
- These key factors aid success in one of two ways: by reducing project costs, thereby making the units more affordable, or by enhancing accessibility to financing (e.g. strata title, which facilitates financing of individual units). Most of the key factors identified above are used to increase affordability.
- Many of the key factors are actually subsidies, one time or ongoing subsidies, provided by either private individuals or companies, or various levels of government.
- Some of the projects involved the use of simple strategies and others are more complex. The key to making projects affordable or viable often involved several factors.
- The ability to provide units for low income households in the case study projects sometimes required the use of two key factors: one to make the units affordable to moderate income households, another to make some/all of the units affordable to low income households.
- To ensure that an adequate supply of affordable housing is produced, in the absence of traditional supply programs, CMHC should examine the role it can play in supporting or enhancing the supply of these essential resources which are viewed as factors for success and necessary to ensure transferability.

Transferability

A key question concerning the case study projects is whether they are transferable, that is can they be reproduced or are they "one-of-a-kind" projects? A strategy or model is considered to be transferable if it has been reproduced several times, in different locations; and if there are no major barriers to its being repeated. In essence, the transferability of a strategy depends upon whether the key factor for success can be duplicated. Our initial observations are based on key informants' views and our analysis of the case studies. From this perspective, we conclude that most of the key factors for success are transferable. We found some factors to be less transferable because of legislative barriers or the amount of government assistance or donations required.

In reviewing comments regarding transferability in Table 4 above, the following observations are noted:

- While many of the key factors are transferable, this is not to say that reproducing these projects would be easy or that an adequate supply of affordable housing units to meet needs would be produced.

- As a general rule, projects serving moderate income residents are easier to duplicate than those developed for lower income clients, because of the potential equity contribution. The large number of life lease projects/units already built and underway is evidence of this.
- In strong real estate markets like Vancouver and Toronto, it is essential to reduce land costs or subsidize land costs in some manner for example, through leasing, donation, or sponsor ownership. In the Lower Mainland of B.C., municipalities are assuming this role to some extent. In stable or weak real estate markets like Edmonton, Winnipeg and Halifax, groups may benefit from being able to acquire reasonably priced properties without subsidy.

What is needed

Table 4 above provides a list of ideas that could assist in the transferability of the key factors identified for success. More information is needed about many of these tools and models in order to judge reliably their transferability and potential influence on housing affordability and access.

In addition, work is needed to expand awareness of the existing ways to create affordable housing among non-profit housing groups and others, and to assist groups in implementing the ideas in this report in their own communities. All stakeholders will need to work together to accomplish this task.

Case studies

Non profit rental

Lionsview Building 3 — Non-profit rental

2975 Horley St.
Vancouver, B.C.

Sponsor: BC Housing Foundation

Goal: To house low income seniors with limited means who cannot afford market rental housing. At the same time, the organization wanted to increase density on an existing site by redeveloping some older housing stock.

Impetus: Lionsview in East Vancouver was the first project developed by the BC Housing Foundation upon its formation. It was built between 1952 and 1960. By the 1990s, existing units on the site were at the end of their useful life and the existing two-storey walk-up apartments were not suitable for seniors with mobility problems. Market conditions were also right for redevelopment.

Market conditions:

Market conditions were excellent for a project of this nature. High market values ensured a good price was received for the sale of the condominiums. The demand for condominiums was also strong. Units sold before the Vancouver condo market dropped.

Model employed:

Non-profit rental was the model employed for this target market: seniors with little or no equity. The strategy of increasing density on an existing site to create non-profit rental housing can play a potentially significant role in the creation of new affordable housing.

Building characteristics:

The site consisted of 14 small buildings housing about 100 seniors in 91 units. Lionsview Building 3 was the final part of a $20 million four-phase redevelopment of this three-acre parcel of land. Phase I consisted of demolition of some existing buildings and construction of a 45-unit senior's apartment building with a unit allocation from British Columbia Housing Management Commission (BCHMC). This replaced half the existing housing. Phase II involved construction of a 47-unit building with a unit allocation from BCHMC. Total replacement units equaled 92 units. Phase III involved selling a piece of the property for a market condominium development. Phase IV (Building 3) was built with the proceeds from the land sale and profits made on the sale of the completed condominium units. Building 3 is a 34-unit seniors building which required no government subsidy. It took 5 years to complete the entire four-phase project.

Project at a glance	
Model	Non profit rental
Sponsor name	BC Housing Foundation
Client group	Seniors
Land Tenure	Ownership
Unit tenure	Rental
Reasons for success	Ownership of large parcel of land and increased density Equity from development of market condominium project Partnership with developer Resource group skills
Housing form	Low rise apartments
Income level	Low income
Location	Vancouver
# units	34
Status	Occupied

Unit Type	No. of Units	Size (sq. ft.)
1 Bedroom	28	531-615
2 Bedroom	6	847-1160 (1)
Total	34	

Relocation of some existing tenants was necessary. Many were moved to other buildings owned by the Foundation, and BCHMC helped relocate others in some of their buildings. When the first building was completed, tenants remaining on site were relocated there.

This project is located in a residential neighbourhood, near shopping facilities. While all units are designed so they can be wheelchair accessible, none have been modified with the necessary features, such as adjustable counters. Amenity spaces include laundry facilities, an amenity room with kitchen, parking, gardens, and a wheel-in shower in the amenity room.

Residents served:

This project serves low income seniors who cannot afford market rent. Seniors are selected from the BC Housing Foundation's waiting list. The two bedroom units are available for two seniors living together, each of whom has their own income.

Affordability:

Rent is set at a minimum of $500/month for a one bedroom unit or 30% of income. At $500/month, the one bedroom units would be affordable to individuals with an income of $20,000 per year. However, as the building qualifies for SAFER (Shelter Aid for Elderly Renters) tenants whose incomes are not high enough to afford $500/month are subsidized by SAFER up to a maximum of

Unit Type	Low income units (#)	Low income rent	Affordability	Comparable market rent
1 Bedroom	28	$500 min.	RGI	$600-700
2 Bedroom	6	$600-850	RGI	$720-1020

$525 and in effect pay rent geared to income. Comparable rents in the private market would be about 20% higher.

Long-term affordability:

Long-term affordability of the units is protected by a relatively small mortgage, ownership of the land and the BC Housing Foundation's mandate to provide affordable housing.

Land acquisition:

BC Housing Foundation hired the resource group to look at all of its properties to determine if there was any redevelopment potential. This site was the largest piece of property owned by the sponsor.

Financing:

Major capital costs were construction and soft costs. There were no land costs involved. BC Housing Foundation saved some expenses because as a registered charity they qualify for a 50% GST rebate.

Major sources of financing were sponsor cash and land, and a small mortgage of $1 million.

Capital Cost (budgeted)	Amount
Land	0
Construction	$2.5m
Soft costs, contingency	0.5m
Total	$3m

Role of sponsor:

Board of Directors oversaw all aspects of the project and managed the professionals hired to do the development.

Role of key players:

The Board interviewed several architect/developer teams with the aim of finding experienced individuals with the financial backing to carry front-end costs, including the cost of re-zoning and consolidation, and development of plans necessary to submit a proposal to BCHMC. The sponsor formed an informal partnership with the developer/architect team.

Reasons for success:

The project would not have succeeded without the following, in order of importance:

1. Ownership of large parcel of land and increased density.

Name	Role	Benefit
BC Housing Foundation (sponsor)	• Oversaw all aspects of the project	Fulfill mandate
Van Maren Construction and Davidson Yuen Architects	• Developer and architects assumed front-end development costs • Cap on developer's profit	Four projects Fees
TERRA Consultants	• Resource group developed concept and oversaw all stages to construction • Overcame all obstacles	Fee
Bank of Nova Scotia	• Residential mortgage at 1/2 % below mkt • Reduction in mortgage application fees	Long-term business relationship
BC Housing Management Commission	Unit allocations to accommodate tenants from previous buildings	Fulfill public mandate
City of Vancouver	Re-zoning to multi-family	Create more affordable housing

2. Equity from development of market condominium project.
3. Partnership with experienced developer/ architect team with financial strength and willingness to take all financial risk.
4. Resource group/consultants with skills and expertise to work with society to protect it from risk and ensure successful project.
5. The commitment and sophistication of the BC Housing Foundation Board of Directors,
6. Government programs to provide subsidy for original tenants on site.

Obstacles:

The group encountered an obstacle in gaining CMHC approval to pay out existing small mortgages on the units in the old buildings. CMHC's original policy was not to pay out existing mortgages. The policy has now been changed and this obstacle no longer exists.

Obtaining city development approvals and other regulatory approvals was time consuming. However, as this was a multi-phase project, most of these problems or issues were resolved in the earlier phases.

Management:

The BC Housing Foundation 15-member Board of Directors manages this project along with its 16 other buildings. A small staff group and caretakers handle day-to-day operations, including building management and rentals. For Building 3, caretaking responsibilities are shared with the caretakers from the other TWO buildings on site. A tenants committee and block watch committee also operate there.

Operating costs and revenue:

Not available.

Project/resident satisfaction:

The sponsor is very satisfied with the outcome of the project. The only comment concerned the size of the bedrooms.

Community meetings were held to explain the project to neighbouring residents. There was no opposition to the project as the site was already developed as multi-unit seniors housing.

Transferability:

This strategy for creating affordable housing is considered transferable. Other non-profit or co-operative groups with existing sites and mortgages nearing pay out could take a similar approach to creating new affordable housing. However, the number of groups with sites who are in this position and/or who have the resources to successfully implement this approach are unknown. Further work needs to be done to assess the extent and likelihood that others can use this strategy of redevelopment using equity from an existing site and increasing density.

Some of the other conditions needed to reproduce this approach are:

1. Good market timing to maximize proceeds. For example, this project could not be replicated in Vancouver's 1998 real estate market. Recommended that groups could pool needed equity to make a project work.
2. Financing for up-front costs. In this case, the developer assumed these costs.
3. This project worked as a package. Without the unit allocations for the first two phases, Lionsview Building 3 would not have been possible in its present configuration. Currently BCHMC's priority is families, so building seniors housing might be more difficult today. It would be difficult to pursue this strategy in provinces with no subsidy programs.
4. This was a long-term project. Sponsor needs to find a developer and resource group willing to work on that basis.

BC Housing Foundation is looking at other sites for redevelopment purposes, as are some other groups, including churches and service organizations.

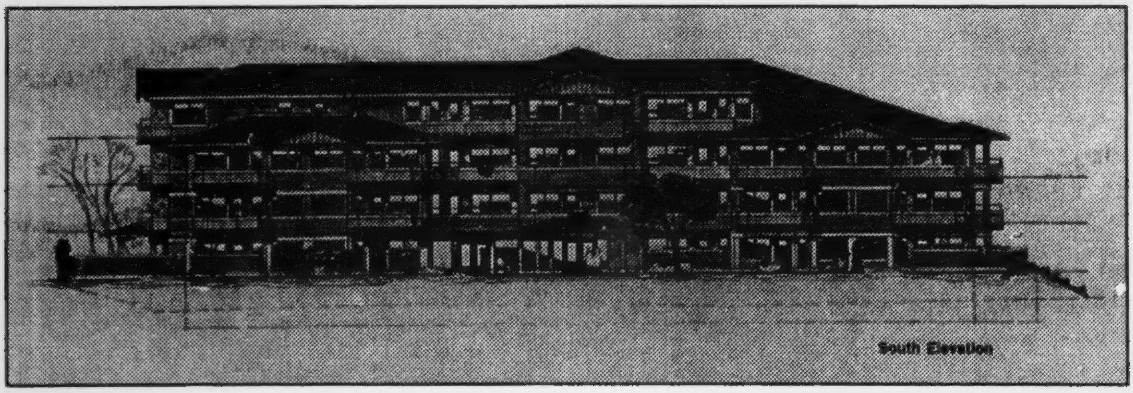
Contact:

Barbara Bacon, Executive Director
BC Housing Foundation
106-198 West Hastings St.
Vancouver, BC V6H 1H2

Phone: (604) 684-3515
Fax: (604) 684-3677

Norgate House — *Non-profit rental*

1280 West 16th St.
North Vancouver, B.C.



Sponsor:	Norgate House Society
Goal:	To provide rental housing which allows and encourages independence for seniors to age in place and for persons with disabilities. This will be accomplished through the building and management of independent, barrier free adaptable apartments with a shared home care program in a balanced community. This is seen as an alternative to institutionalization.
Impetus:	The North Shore has few housing options for seniors and those people with physical disabilities. As a result many seniors and those with degenerative conditions must remain inappropriately housed in acute care hospitals or placed unnecessarily in long-term care facilities. It is important for people's psychological health to have their own units and remain independent. In addition, this type of supportive environment permits the provincial government to save money by reducing unnecessary use of long-term care facilities.

Market conditions:

The private sector has not met the demand for affordable rental housing due to high costs of land and construction. As with the Lower Mainland of B.C. generally land prices on the North Shore are high, and until recently, rising. It is not economically viable to build this type of housing and charge market rents. Market rental rates would be in the neighbourhood of $1400/month for a one bedroom unit.

Model employed:

Non-profit rental with support services. The sponsor wanted to provide rental housing for specific target groups. Rental tenure would enable the target group to be served. In addition, the District has slated this site for senior's rental housing.

Building characteristics:

A new four-storey wood frame apartment building consisting of 36 units with underground parking for 31 vehicles. It is designed for people with disabilities. This project was recognized in the CMHC FlexHousing Design Competition in 1996 for its universally adaptable, barrier free

Project a at glance	
Model	Non-profit rental (supportive)
Sponsor name	Norgate House Society
Client group	Seniors and people with special needs
Land tenure	Leased land
Reasons for success	1. Deferred payments on land lease 2. Donations from two foundations 3. Charitable status 4. Provincial rent supplement 5. Commitment of Board, designer and resource group
Housing form	Low rise apartments
Income level	Low and moderate income
Location	North Vancouver, B.C.
# units	36
Status	Occupancy scheduled for Feb.'99

design.

Unit Type	No. of Units	Size (sq. ft.)
1 Bedroom	35	564-658
2 Bedroom	1	779
Total	36	

Design of the units will enable disabled residents to live independently and age in place gradually adapting their units to their needs. It can also accommodate persons with degenerative diseases, such as multiple sclerosis, who might otherwise be institutionalized. Each suite will be wheelchair accessible and 11 suites will accommodate people who require a higher level of care. This has been achieved by providing three levels of adaptability. Level I units accommodate seniors aging in place, and can adapt to wheelchair use if necessary. Level II units are designed to adapt to a higher level of wheelchair use. Level III units can adapt to the needs of severely disabled persons (extended care level or persons in a power chair).

Some barrier free principles adopted include: wider doorways, better positioned electrical outlets and switches, wider corridors, handrails in corridors, water temperature regulation, lever door handles, kitchen counters, cabinets and upper cabinets can drop down to wheelchair height, no right angle turns, backing for grab bars and front loading laundry machines. The project has also been wired for computer outlets and automated systems like remote control blind closure. This equipment will be installed when funds become available.

Only one two-bedroom unit is proposed, this being dictated by the zoning which required an average unit size of 700 sq. ft. While there is a need for two bedroom units to accommodate caregivers, this could not be achieved in this project.

Located one block from Marine Drive, the project is close to public transportation and a commercial area. A senior's housing project, Lions Capilano, is located nearby.

Norgate House will provide home care workers with an office from which to offer individual tenants the services they require.

Residents served:

This project is designed to serve seniors and individuals with mobility, hearing and visual limitations. It can also accommodate those with degenerative diseases such as multiple sclerosis. The Multiple Sclerosis Society of B.C. will supply names from their waiting list. BC Housing will refer applicants to fill three units.

Affordability

The targeting plan for the project is to house both low and moderate income senior residents. Rent supplements totaling $6000/month will be divided among 10 residents (under a 10-year agreement) who will pay rent geared to income. The remaining 26 units will serve moderate income residents with an income of at least $34,600/year, well above the low income cut-off of $17,400 for

Unit Type	Low income units (#)	Low income rent	Affordability	Mod. income units (#)	Mod. income rent	Affordability	Comparable market rent
1 Bedroom	10	$300/mo. approx.	RGI	25	$865 - 1005/mo.	$34,600/yr. min.	$965/mo. avg.
2 Bedroom				1	$1185		$1250/mo.
Total	10			26			

an individual in Vancouver. Rents for one bedroom units range from $865 to $1005 per month, and it is hoped that rents for these units can be reduced over time. This is close to market rent, but the project offers unique features not available in the typical rental project. Utilities are included.

Long-term affordability:

Rents will be controlled by the Society to ensure they are always rented at cost.

Land acquisition:

The land is owned by the District of North Vancouver and was leased to the Society through a proposal call for seniors housing. The District offered the land, valued at $1.8 million, to the Society on a 60-year lease basis, at full market rates, with payment deferred until net income is realized from the operation of the project. It is estimated that under this arrangement, the District will not receive any revenue from this property for at least 10 years. The Society currently pays the District a nominal fee of $100 per year. Land and buildings revert to the District after 60 years.

Financing:

The cost of construction is $140 per square foot. The following table shows the project's budgeted costs, as of April 1998.

Capital Cost	Amount	Details
Land	$0	Land valued at $1,750,000
Construction	$2,856,000	
Office/maintenance equip.	$17,500	
Soft costs		
• Professional fees	$271,129	
• Municipal fees	$31,552	
• Interest	$55,000	
• Lender fee	$30,849	1% of loan amount
• Mortgage insurance	$169,672	@ 5.5%
• Application fee	$5,400	
• Off-site services	$0	Included in construction budget
• Marketing	$14,000	
• Insurance and organization expense	$4,000	
Taxes		
• Property taxes	$10,326	
• Transfer taxes	$0	Charitable status
• GST	$183,783	Saved $183,000
Contingency	$26,810	
Total	$3,676,021	

Source of Funds	Amount	Details	Share of Funds
donations	$416,000	$200,000 from Zajac Fdn. $216,000 from Real Estate Fdn. of B.C.	11%
take-out financing	$3,260,022	7.125% for 10 years, 35-yr. amortization	89%
municipal contributions		Land lease valued at $1,750,000	
Total	$3,676,022		100%

Name	Role	Benefit
Norgate House Society (sponsor)	• Oversee development and management	• Meet goals
BC Housing	• Rent subsidy $6000/year for 10 years	• Norgate will house three tenants from their waiting list • Subsidize 10 units for relatively low cost
CMHC	• Mortgage insurance • Proposal Development Fund loan	• Market rate increase fee • Affordable housing mandate • Repayment
District of North Vancouver	• Deferred payment of land lease	• Payment when surplus generated • Land and bldg. revert to District
Innovative Housing Society	• Project initiation and overall co-ordination	• Fee
Bev Nielsen, Nielsen Design Consultants	• Original concept • Building design	• Personal reasons • Fee • Recognition
North Shore Health Board	• Negotiating possible home care agreement	• Space for staff
Progressive Homes Ltd.	• Guaranteed interim interest costs beyond $55,000 • Letter of credit to municipality for road improvement • Extra time to incorporate adaptable design features • Finance municipal fees until 1st mortgage advance	• Guaranteed profit • Guaranteed project
Real Estate Foundation of B.C.	• $216,000 donation	• Recognition
Zajac Foundation	• $200,000 donation • Expertise in fundraising and property management	• Recognition • Payment as property managers

Various cost savings and contributions helped to make the project financially viable and the units affordable. Due to the innovative land lease structure, the Society is borrowing only the amount needed for construction and soft costs. Two large donations totaling $416,000 act as equity in the project reducing the project's borrowing requirements. The Society applied for and received charitable status, thereby avoiding property transfer tax amounting to about $33,000. It also benefits from a reduced GST rate (3.5% instead of 7% paid at interest adjustment date). The project saved $183,000 in GST costs. The developer is guaranteeing interim interest costs beyond $55,000. The mortgage is provided by a private lender with CMHC mortgage insurance. In addition, the proposal received a Proposal Development Fund loan of $75,000 from CMHC's Centre for Public-Private partnerships. The builder estimates that the flex housing design adds about 11% to typical construction costs.

Role of Sponsor:

Norgate House Society was formed in 1995 to oversee the development and management of a non-profit rental apartment building for seniors and persons with disabilities. The initial Norgate Board of Directors consisted of nine volunteers with a range of relevant backgrounds and experience such as real estate law, health administration, engineering, planning, accounting and others. The Board donated hundreds of hours to all aspects of the project over a period of two and a half years. The Society has no paid staff or other volunteers.

Role of key players:

The following table outlines the role of the sponsor, and describes the role of key players involved in the project, in alphabetical order.

Reasons for success:

1. Deferred payment on land lease until net revenue is generated.
2. Large cash donations from two foundations totaling $416,000.
3. Charitable tax status enabled group to benefit from tax concessions of about $200,000.
4. Provincial rent supplement for 10 years.
5. Outstanding efforts of the Board, designer, and resource group.
6. NHA loan insurance.

Obstacles:

Municipal support for the project fluctuated over time. Council expressed concerns about the affordability of the units and the length of time that development was taking. These concerns were addressed and the Board was able to convince Council to support the project.

Some of the financial obstacles included:

1. An increase in mortgage insurance fees from 2% to 5.5% increased project costs by $100,000.
2. Municipality deferred charges on land, but charged $70,000 for road improvements.
3. Development cost charges of $29,000.
4. CMHC requirements to pre-rent 18 units prior to construction.

Management:

In a unique arrangement, the Zajac Foundation will be responsible for property management. For this, the Foundation will receive a property management fee. The Board is presently negotiating a home care arrangement with North Shore Health through the provincial Continuing Care Program. Norgate will enable qualified tenants to pool their home care hours on site. This will be facilitated by the provision of an office on the premises for home care staff to use. The Society is also hoping to implement a shared meal plan such as Meals on Wheels and perhaps joint activities with a neighbouring senior's housing project. The Society has received marketing assistance from other North Shore Community Groups.

Operating costs and revenue:

Costs (annual)	Amount
Property tax	$31,564
Land lease	$100
Insurance	$5,300
Utilities	$32,020
Maintenance	$27,620
Administration	$21,619
Marketing	$1,200
Audit fees	$2,500
Replacement reserves	$20,967
Contingency	$3,974
Debt service	$250,512
Total	**$397,376**
Revenues	**Amount**
Total Rent	**$397,560**

Rents are initially to be set at cost by the non-profit society, and due to the innovative lease arrangement, need only cover the financing costs of development (not land) and operating costs. Rents charged will increase at the same rate as the Consumer Price Index every year to allow for the accumulation of surplus to be paid to the District. The Society is still looking for funding to furnish the amenity spaces.

Project satisfaction:

While not constructed yet, key players are generally satisfied with outcomes to date. The supportive housing model, integrating home care services into the project, is being viewed as innovative and worth repeating. Adaptable design features are recognized for their contribution to enable seniors to continue to live independently. The project has been received well in pre-rentals. The location and community response are viewed as highly satisfactory.

Some of the concerns identified by key players include:

- zoning restricted to size of the units. Larger units and more amenity space is recommended to meet the needs of disabled persons; and
- despite the donations, charitable status, and deferred land charges, rental charges for non- subsidized units are not affordable to low income seniors.

Transferability:

This strategy is considered transferable as the key factor for success, deferred payments for land, is replicable. While the donor of this benefit is typically a municipality, it can also be a private individual or company, or other level of government. The deferred payments are applicable to both leased land and owned land. In order to promote the use of this tool, a study of the financial impact of deferred payments for municipalities is recommended. If it can be demonstrated that this tool enables the donor to recoup his or her donation, and contribute to affordable housing, this could become an attractive mechanism.

Other requirements to undertake a similar project follow:

- Huge commitment on the part of certain individuals and required lots of volunteer time.
- Ability to obtain donated or low cost land.
- Provincial rent supplement necessary to make some units affordable for low-income tenants.
- Large donors are necessary.
- Charitable status is easier to obtain for groups providing housing for seniors and persons with disabilities.
- Adaptable features could be implemented in all new residential construction at relatively low cost.

Comments:

The city of North Vancouver is considering implementing a similar shared home care arrangement among senior tenants living in a private rental building.

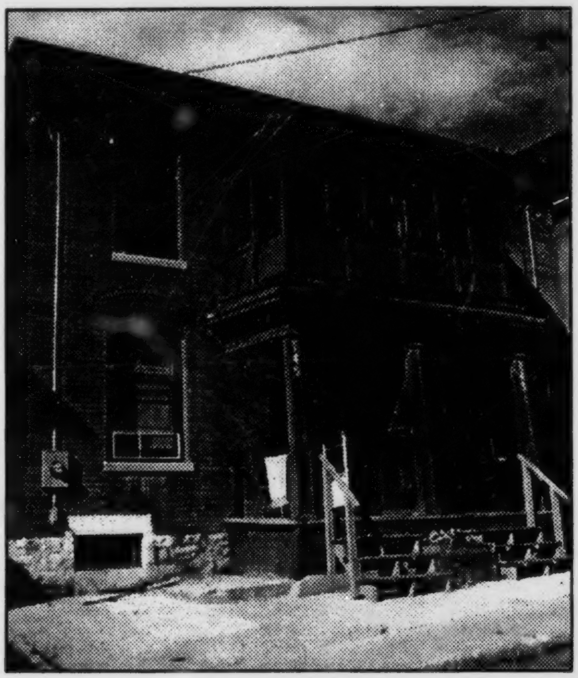
Contact:
Joffre Pomerleau, Development Manager
Innovative Housing Society
Suite 201-1646 West 7th Avenue
Vancouver, BC V6J 1S5

Phone: (604) 734-8282
Fax: (604) 734-9806
Email: jpomerleau@ihs.bc.ca

Eccles Project

Ottawa, Ontario

Non-profit rental



Sponsor: Centretown Citizens Ottawa Corp.

Goal: To house homeless people with a history of mental illness who would otherwise be living in a shelter or on the street.

Impetus: Media coverage of a local conference on homelessness in the Ottawa area prompted a private citizen to contact the Canadian Mental Health Association (CMHA). This person owned two semi-detached homes in Ottawa that had been on the market for some time. He wanted to see if he could help, and at the same time, sell his properties. The owner was willing to sell the homes to CMHA and donate the equity, in return for a charitable tax receipt.

CMHA approached Centretown Citizens Ottawa Corporation (CCOC) because of their expertise in developing and managing non-profit housing. CMHA did not want to be a landlord. They wanted to work with a landlord that would be able to provide housing for the proposed tenant population.

Market conditions:

Market conditions were such that it was difficult for homeless people to find housing they could afford. It was also particularly difficult for this group to find housing because they are typical of the "hard-to-house". In addition to having low incomes, they would have been unable to obtain a positive reference from a previous landlord, probably have bad debts, and may have been evicted by another social housing provider as a result of issues related to their mental illness.

Model employed:

This is rental housing owned and managed by a non-profit sponsor, CCOC. Rental housing was possible (rent revenues can cover operating costs and the mortgage) because the vendor was willing to provide a donation in return for a tax receipt.

Project at a glance	
Model	Non profit rental
Sponsor name	Centretown Citizens Ottawa Corporation
Client group	Homeless people with a history of mental illness
Land Tenure	Ownership
Unit tenure	Rental
Reasons for success	Equity contribution by vendor in return for tax receipt Right property at the right price Partnership with CMHA Ability to self-finance at a low rate
Housing form	2 semi-detached homes
Income level	Low income
Location	Ottawa, Ontario
# units	6
Status	Occupied

Building characteristics:

The housing consists of two three- bedroom semi-detached houses. CCOC purchased the buildings and did minor renovations. The homes were brought up to rooming house standards even though the units are not technically rooming houses. Some of the work included upgrading the wiring, replacing the furnace, providing fire separations and other building code improvements.

Each home has a large back yard, eat-in kitchen (with a stove–but no common fridge), living room, dining room, and upstairs common room. Each bedroom includes a small fridge.

Unit Type	No. of Units	Size (sq. ft.)
Rooms	3	1,250 (approx.)
Rooms	3	1,250 (approx.)
Total	6	3.500 (approx.)

Residents served:

This project is serving homeless people with a history of mental illness.

Affordability:

The units are being targeted to low income individuals in receipt of a GAINS Disability Pension from the Provincial Government (social assistance). They receive $414/month for shelter. The monthly rent of $412/room is, therefore, affordable to this target group. These units are affordable to individuals earning $16,480/yr.- below the low income cut off of $17,400 for singles in Ottawa-Hull.

The cost of these units is at the higher end compared to other rooming houses in the City. However, they are lower than rents for bachelor units. CCOC and CMHA would have preferred monthly rents closer to $325 (the shelter component of General Welfare Assistance), but the current rent is necessary to cover the mortgage and operating costs. Affordability could have been increased if additional equity could have been provided for the project.

Long-term affordability:

Rents will remain affordable over the long-term and will be protected because of CCOC's commitment to provide affordable housing.

Land acquisition:

CCOC purchased the two properties from the vendor for the appraised value of $149,000. The vendor provided a donation to CMHA for $15,000 (10% of the purchase price) in return for a charitable donation. CMHA then provided the $15,000 to CCOC to assist with the purchase price.

The vendor was willing to contribute $15,000 (in return for a tax receipt) because this was the difference between the amount outstanding on the mortgage and the appraised value of the properties.

Financing:

The following table shows the capital costs for the two properties:

Capital Cost	Amount
Land Costs • Purchase price, legal fees, transfer tax, appraisal	$151,790
Construction • Renovation, appliances, furnishings, landscaping	$26,200
Fees and charges • Legal fees (re tax receipt), consultants, administration costs, building permit fees	$7,210
Contingency/GST	$2,002
Total	$187,202

Unit Type	Low income units (#)	Low income rent	Affordability	Comparable market rent
Rooms	6	$412/mo.	$16,480/yr.	$325-$400 for a room $569 for a bachelor unit

Source of Funds	Amount	Details	Share of Funds
Vendor contribution	$15,000	Used to provide equity contribution	8%
Furnishings		Donated by people in the community	
CCOC	$172,202	Is using its own reserves to cover the costs and is paying itself back at the rate of 6% for 30 years.	92%
Total	**$187,202**		**100%**

The table above shows that costs were reduced as a result of the donation by the vendor, which CCOC used as an equity contribution. In addition, the furniture and supplies needed to equip both houses (e.g. dishes, sheets and towels), were all donated. It is also important to note that CCOC used its own reserves to cover the acquisition and renovation costs.

Role of sponsor:

CCOC was responsible for the development process and completing the transaction. It was also responsible for arranging the financing through its own resources.

Role of key players:

Name	Role	Benefit
CCOC (Sponsor group)	Contributed expertise and was responsible for the development process Provided financing by using its own reserves Providing property management services	Able to fulfill mandate to provide affordable housing Will be repaid at the rate of 6% for 30 years Paid a property management fee
CMHA	Provided a tax receipt to the vendor for $15,000 Transferred the $15,000 to CCOC at the time of closing to be used as an equity contribution Is providing case worker support to the tenants Is making a one-time contribution for lost revenue (4 weeks) Will guarantee to offset vacancy loss up to $3000/year for 3 years–in recognition that the tenants are a high-risk group Has a referral agreement with CCOC to provide tenants to fill the units	Providing housing for their client group
Vendor/Private Citizen	Provided a contribution of $15,000 to CMHA (equivalent to the difference between the amount outstanding on his mortgage and the appraised value)	Received a tax receipt for the donation Motivated by interest in helping the homeless Wanted to sell his properties

Reasons for success:

1. Equity contribution provided by the vendor.
2. Ability to provide a charitable tax receipt.
3. The "right property at the right price". (The building was a good size in terms of the number of people that could be housed; in a good location, close to services such as a health clinic, food bank and public transportation; and the numbers worked to be able to provide units affordable to the client group).
4. Partnership with CMHA.
5. CCOC's expertise and ability to self-finance the project at a low rate. It would have been difficult to obtain private financing with only a 10% down payment.
6. Willingness of vendor to want to help the homeless.

Obstacles:

This project was able to proceed very smoothly and no major obstacles were encountered. However, the project would have benefited if the sale price had been lower or if additional equity could have been provided. For example, additional funding would:

- Make it possible to house people with lower incomes (e.g. individuals on welfare who receive $325 for shelter).
- Provide greater flexibility in the operating budget in case of vacancies or bad debts.
- Enable more renovations.
- Make it possible to undertake conversions to provide self-contained apartments.

Management:

CCOC is responsible for managing the properties. Each tenant signs a lease with CCOC.

CMHA provides support services and each individual has his own caseworker. Support staff do not live on site, and the project is not intended to run as a group home. Tenants are responsible for keeping the home clean (e.g. vacuuming, washing dishes, etc.) In order to assist tenants in negotiating day-to-day community living issues, CMHA is providing a Masters of Social Work student (four days/week) through its student placement program.

Costs (annual)	**Amount**
Maintenance	$3,268
Utilities (hydro, heating, water and sewer)	$2,870
Other: municipal taxes, insurance, vacancies, bad debts, GST	$5,496
Administration: overhead, contingency, replacement reserves	$5,088
Total op. costs	**$16,722**
Amortization	$12,433
Total costs	**$29,165**
Revenues	**Amount**
Annual market rents	$29,808
Annual surplus/deficit	$643
Total	**$30,451**

Operating costs and revenue:

This table shows that the rents are just enough to cover the operating costs and amortization. In addition, CMHA has agreed to contribute $3,000/year up to 3 years, if required, to cover unusual costs related to vacancies, bad debts and/or damage to the unit.

Project/resident satisfaction:

The tenants seem to be pleased with their housing and have been paying their rent on time. They enjoy the back yard and have settled in. There was an initial adjustment period as tenants were learning to live with the others in their home and issues regarding housekeeping needed to be sorted out. It also took some time for the tenants to realize that if maintenance issues arise (i.e. a window is broken), that they should contact their landlord who will fix it.

CCOC and CMHA are very satisfied with the project in terms of its location, density and management structure. It is helpful to CCOC staff to know that they can contact a worker from CMHA if they spot an issue that needs to be addressed.

CCOC and CMHA wish they could charge a lower rent, but this would result in a deficit. There is also a preference to be able to provide self-contained bachelor or one-bedroom units in the future.

Transferability:

The development approach used for this project is considered transferable. Some of the elements that would be needed for other groups to undertake a similar project include:

- Being able to provide a charitable tax receipt;
- Finding a suitable property at an affordable price; and
- Finding a vendor willing to make a donation or sell property at below market value, in return for a tax receipt.

In addition, groups may need to be able to provide more of an equity contribution in order to arrange financing.

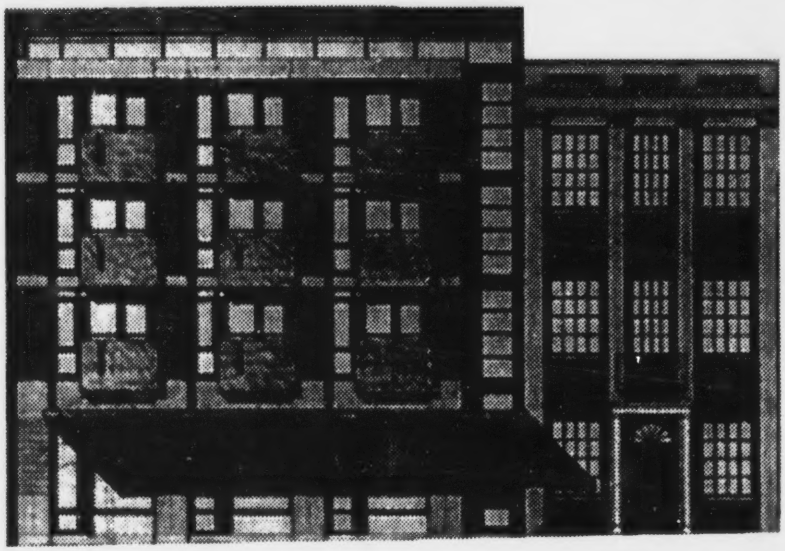
Comments:
CCOC and CMHA would like to do more projects like this one to provide permanent housing for homeless people. They hope that this is the first of many more opportunities and they are in the process of identifying other sources of properties. For example, banks could be a source of lower cost properties that they may have acquired through foreclosures. It may be possible to acquire these properties at a lower price in return for a tax receipt.

The ability to do more projects would be enhanced if assistance with fundraising were available or if funds could be set up to attract donations from corporations or citizens for affordable housing.

Contact:
Dennis Carr, Development Coordinator
Centretown Citizens Ottawa Corporation
P.O. Box 2787 Station D
Ottawa, Ontario K1P 5W8
Phone: (613) 235-2408 ext 229
Fax: (613) 235-4026

VanCity Place for Youth *Non-profit rental*

320 West Pender St.
Vancouver, B.C.



Sponsor:	VanCity Place Society
Goal:	To build a supportive community providing housing and support services for street involved youth in the Downtown Eastside.
Impetus:	Currently many youth in Downtown Vancouver live in old single room occupancy hotels with an average room size of 10 x 10, no kitchen, and shared bathroom. Many of these hotels are neither safe nor clean. The Downtown Eastside of Vancouver is experiencing the steady erosion of single room occupancy housing stock. Very few replacement units are being built. Virtually no social housing units are available to youth in the area. The impetus for this project came from VanCity Credit Union staff who identified the need for services to youth. Each year credit union staff holds a fundraising event and decides where the money raised will be donated. Consideration by potential funders for this project was evaluated within the context of the Woodwards building in downtown Vancouver which has since stalled.

Market conditions:

Land prices were high at the time the site was purchased and the project was initiated.

Model employed:

Non-profit rental housing with support services is a suitable model for this target group.

Building characteristics:

VanCity Place for Youth is a new four- storey building with amenity space on the first floor, and 50 units of studio type apartments on the top three floors. This will be the first development in Vancouver offering both housing and resources targeted to street involved youth.

Project a at glance	
Model	Non-profit rental
Sponsor name	VanCity Place Society
Client group	Homeless youth 18-24 yrs.
Land tenure	60-yr. lease
Reasons for success	1. Land and cash donations totaling $3.2 million 2. Community determination 3. Developer assumed risk
Housing form	Low rise
Income level	Low income
Location	Vancouver, B.C.
# units	50
Status	Occupancy Sept. '98

Unit Type	**No. of Units**	**Size (sq. ft.)**
Bachelor	50	280-350
Total	50	

The first floor space will be used to offer support services and resources to the tenants, such as skills training, employment advice, volunteer programs and others.

Each room contains a fridge, hotplate, bathroom, closet and window overlooking the street, lane or the courtyard. The developer was allowed to reduce unit sizes for this project as the City felt it was appropriate for this target group. The municipality can permit reductions in unit size for affordable housing. Common areas include a common area on each floor, roof deck and a courtyard.

The design incorporates a heritage façade from one of two existing buildings on the site.

Residents served:
The residents will be comprised of homeless youth aged 18 to 24 years. Half will be welfare recipients while the others will be employed. Young people with drug addictions or other problems won't be turned away from the centre which is designed to be used as a transition house, giving residents an opportunity to stabilize their life. However, no dealers or prostitution will be permitted. VanCity is developing its housing program. An advisory committee comprised of local agencies will advise on tenant selection. There is no fixed term of residence but operators anticipate a stay of two to three years.

Affordability:
Half the units will be rented for the shelter component of welfare $325/month, and the remainder will be rented at low end of market. The units renting at $325/month are affordable to individuals with incomes of $13,000 per year, a low income in Vancouver. In the event a resident cannot meet his or her monthly payment, an endowment from the Real Estate Foundation will be used to make up the shortfall.

Long-term affordability:
A covenant on the lease agreement with the City of Vancouver ensures that the project will remain affordable over the long-term and that any surplus generated by the project would be used for more affordable housing.

Land acquisition:
The City of Vancouver acquired the land at the appraised value of $908,000, then leased it to VanCity Place Society for a nominal fee of $1. Upon expiration of the 60-year term, the land reverts to the City. In addition, the City donated cash of $1.34 million for a total donation of $2.25 million. This rather large contribution amounts to one half the cost of the project. Usual City policy for affordable housing is to lease land at 75% of

Unit Type	**Low Income units (#)**	**Low Income rent**	**Affordability**	**Comparable market rent**
Bachelor	50	$325- $425/mo	$13,000- $17,000/yr.	$450- $600/mo. (estimated)

freehold for 60 years, rather than for $1. However, because of previous commitments to a major housing project in the City's Downtown Eastside, the City essentially transferred its contribution from that project to VanCity Place for Youth. Their agreement with the province is that this donation is considered as the City's contribution to the other project, which is currently stalled.

Financing:

Although the total capital cost of the project is $4.6 million, a mortgage of only $1.4 million was required because of the large value of project donations, including the land. A total of $3.2 million dollars (70% of total project cost) in cash and in land was donated on behalf of this project, primarily from two sources, VanCity Credit Union and its subsidiaries, and the City of Vancouver. Because of the high equity component, the developer was able to avoid mortgage insurance costs. The total cost per square foot, including land and buildings, is approximately $175/ft.

Capital Cost (actual)	Amount
Land	$908,000
Construction	$2,680,000
Soft costs	
• Professional fees	$582,000
• Municipal fees	$93,000
• Interest	$100,000
• Other	$157,000
Taxes	
• Property taxes	$10,000
• GST	$100,000
• Total	**$4,630,000**

Role of sponsor:

The sponsor of the project is VanCity Place Society. VanCity Enterprises Ltd. (VCE) a development subsidiary of VanCity Savings Credit Union was the developer. Established in 1989, this company undertakes real estate developments and investments in residential and commercial projects with a mandate to achieve both social and business objectives.

Various arms of the credit union participated in the project. VanCity Enterprises provided development services, construction financing and assumed construction risk and funding risk. For example, it guaranteed a $1.4 million mortgage before final operating budget numbers were available. VanCity staff donated funds, both for construction and operation. VanCity Credit Union Board of Directors was supportive of the project, providing matching funds for staff fundraising initiatives. VanCity Community Foundation provided a substantial donation and expertise.

Source of Funds	Amount	Details	Share of Funds
donations	$3,230,000	VanCity Community Foundation $300,000 VanCity Credit Union $300,000 VanCity Staff Fundraiser $300,000 Zajac Foundation $80,000 City of Vancouver land and cash donation $2.25 million	70%
construction financing		VanCity Enterprises	
take-out financing	$1,400,000	VanCity Credit Union mortgage	30%
Total	**$4,630,000**		**100%**

Role of key players:

VanCity Enterprises and the City of Vancouver entered into a formal partnership agreement specifying a turnkey project and requiring VCE to absorb any cost overruns.

Name	Role	Benefit
VanCity Place Society (sponsor)	• Owns the leasehold improvements and is responsible for mortgage	• Fulfill mandate
VanCity Enterprises	• Coordination, risk of turnkey contract, and land acquisition	• Fulfill mandate for VanCity Credit Union corporate social responsibility • Recover some overhead through fees
City of Vancouver	• Land leased to project for $1 • Cash contribution of $1.34 million • Provided policy advice	• Increase housing stock in Downtown Eastside • Retain heritage facade
VanCity Credit Union	• Creative loan underwriting of long-term mortgage • $300,000 donation	• Part of project sponsor role • Recognition • Fulfill social responsibility
Real Estate Foundation of BC	• Contributed $450,000 endowment for 10 years	• Recognition • Expand mandate to housing provision beyond housing education and research
VanCity Community Foundation	• $300,000 donation	• Recognition • Fulfill mandate for assisting housing
VanCity Credit Union staff	• Donated $450,000 raised over three years	• Meet need • Fulfill social responsibility

Reasons for success:

1. Land and cash donations from various sources totaling $3.2 million for construction alone.
2. Community determination and support. VanCity staff and local groups/agencies from the Downtown Eastside forming the Community Advisory Committee.
3. Developer willing to assume risk.

Obstacles:

No major obstacles were encountered during planning, design or construction phase of VanCity Place for Youth. The project took three years from planning stage to completed construction. Obtaining enough donations to make the project viable was a challenge. Also defining the housing program for this risky target group was a lengthy process and should have been initiated sooner.

Management:

St. James Community Service Society under contract to VanCity Place will manage the project for Youth Society. St. James is a non-profit organization operating various housing projects (among other things) in the Downtown Eastside. A Community Advisory Committee will assist with tenant selection. Also, a resident's council will help establish operating rules and common space usage. Private agencies offering various resources and services will operate out of the amenity space on the first floor.

Operating costs and revenue:

Most of operating costs will be covered by rental revenue. The difference will be made up out of the endowment and fundraising efforts.

Expenses (annual)	Amount
Mortgage payments	$115,000
Maintenance	$32,500
Utilities	$23,000
Other	$27,000
Administrative overhead	$30,000
Replacement reserves	$7,500
Support services	$30,000
Total	**$265,000**

Revenues (annual)	Amount
Rent	$225,000
Endowment and fundraising	$55,00
Total	**$280,00**

Project satisfaction:

To date a high degree of satisfaction has been achieved with the project although it is too soon to evaluate the residents' satisfaction. Those involved anticipate management and operation of VanCity Place for Youth will involve some difficulties given the nature of the tenants. The project meets the municipality's goals in terms of affordability, client group, design, density, and location. In addition, because the development is located on a block with significant heritage value, maintaining the heritage facade helped to achieve some of the neighbourhood's objectives for heritage preservation. The difficult nature of the clientele and the fact that it is a "first of" means the success of VanCity Place for Youth will be watched closely.

Transferability:

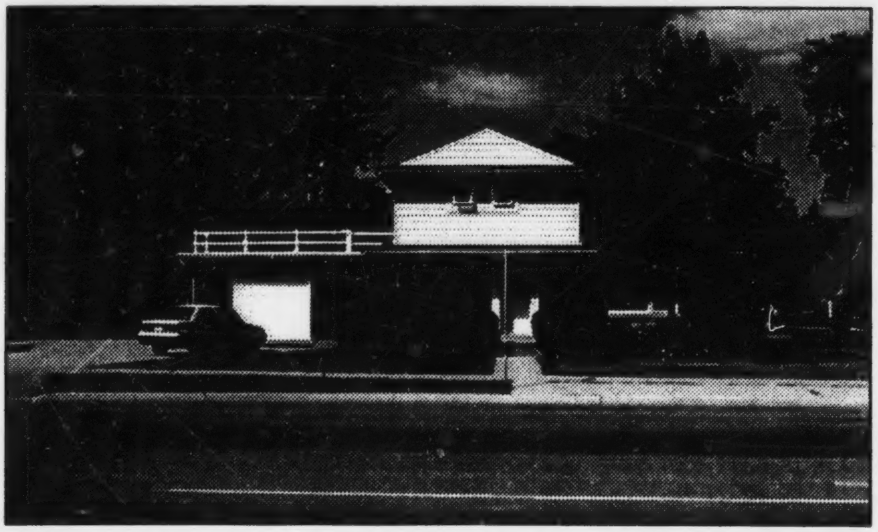
Transferability would be hard to accomplish because of the amount of subsidy/donations required. The developer thinks he would have a difficult time undertaking a similar project again. A significant fundraising effort would be required. Others attempting to do so would need to secure risk money for the pre-development phase through a private developer or strong agency or philanthropic organization. Approximately $40-50,000 would be adequate. The ability to tie up a site is an important consideration. When real estate markets are active as they were at the time, it is difficult to tie up land long enough to get funding in place.

Contact:
Dale McClanaghan, President and CEO
VanCity Enterprises Ltd.
183 Terminal Avenue
Vancouver, BC V6A 4G2

Phone: (604) 877-7546
Fax: (604) 871-5409

Hydro House — *Non-profit rental*

326 River Road East
Kitchener, Ontario



Sponsor:	Kitchener Housing Inc.
Goal:	To provide a single detached home at a rent affordable to a low income household, integrated in an existing neighbourhood, and show by example that it is possible to renovate this type of structure to create affordable housing.
Impetus:	The local Hydro Commission had a surplus property for sale. According to Bill 55[3], the Commission was required to offer its property to other utilities or the municipality at cost. Kitchener Housing Inc. saw the potential of this property and wanted to acquire it to provide affordable housing. The corporation wants to continue to develop affordable housing and build its portfolio even though there are no more government programs. This was the third project developed by Kitchener Housing Inc. that involved purchasing a surplus property at cost.
Market conditions:	Vacancy rates were about 2%, rental rates are starting to climb, and there are over 1000 households on the waiting list for housing with Kitchener Housing Inc.

Model employed:

This rental housing project involved the acquisition and renovation of an existing structure. It was an inexpensive way to acquire property and the existing building was already accepted by the local community. Kitchener Housing Inc. is searching for other properties that could be acquired at opportune prices (e.g. distress properties, properties offered through a municipal tax sale, and foreclosures).

Building characteristics

The existing building was a one-storey shell for a hydro substation. It was renovated and converted to a two-storey building with 1,107 square feet and two-bedrooms. The building includes all gas appliances and hook-ups and fits into the neighbourhood.

Project a at glance	
Model	Non-profit rental
Sponsor name	Kitchener Housing Inc.
Client group	Low income family
Land tenure	Ownership
Unit tenure	Rental
Reasons for success	Opportunity to acquire property at a low price Ability to self-finance at a low interest rate Municipal support
Housing form	Single detached
Income level	Low income
Location	Kitchener, Ontario
# units	1
Status	Occupied

Unit Type	No. of Units	Size (sq. ft.)
2 Bedroom	1	1,107

Residents served:

The home will serve one family.

Affordability:

Kitchener Housing Inc. has set the monthly rent at $725. The rent is affordable to a family earning $29,000 per year, which is just above the 1997 low income cut-off of $28,100 for the City of Kitchener. This project is classified as low income.

Long-term affordability:

The rent will remain the same over the term of the mortgage. It is expected that this amount of $725 will become more affordable relative to the market over time.

Land acquisition:

The City of Kitchener purchased the land from the Kitchener-Wilmot Hydro Commission and then transferred it to Kitchener Housing Inc. The City and Kitchener Housing Inc. were able to acquire the land at cost (i.e. initial purchase price paid by the Commission plus expenses to operate the site over the years). This amounted to $15,565. The market value would have been between $60,000-$75,000. Therefore, considerable savings were realized by Kitchener Housing Inc.

Unit Type	Low Income units (#)	Low Income rent	Affordability	Comparable market rent
2 Bedroom	1	$725	$29,000/yr.	$900

Financing:

Capital Cost	Amount
Land and building	$15,565
Rehabilitation/Construction	$71,000
Soft costs	
• Legal fees	$300
• Registration & searches	$1,772
• Municipal fees (lot levies)	$8,693
• Appliances	$1,000
• Property taxes during construction	$1,500
• GST	$2,130
Landscaping & contingency	$2,500
Total	**$104,460**

Role of sponsor:

Kitchener Housing Inc. saw the opportunity to acquire the hydro property when it was declared surplus. They then obtained support from both the City and the K-W Hydro Commission to treat them as a municipal agency for the purpose of being able to acquire the property at cost. They worked out a design and made sure that the design and specifications could meet their affordable housing target.

Source of Funds	Amount	Details	Share of Funds
Kitchener Housing Inc.	$104,460	Is providing 100% financing. They borrowed from their own reserves and are paying themselves back at an interest rate of 3% over 35 years.	100%
Total	**$104,460**		**100%**

Reasons for success:

1. Opportunity to obtain property at a low price.
2. Ability to borrow from themselves at a low interest rate (3% instead of 6% or 7%). The bank would not have financed the project because there was no equity. This arrangement made it possible to proceed with the development without a need to contribute equity.
3. Political will from City Council to support the project and to buy land from the K-W Hydro commission.

Other:

1. Using an existing building helped ensure community support. Kitchener Housing Inc. will invite everyone in the neighbourhood to the project opening ceremony and ribbon cutting. This will provide an opportunity for the community to meet their new neighbour and see what the house looks like from inside. It is felt that this will enhance community support for the project.

Obstacles:

There were no obstacles with the development of this project. However, affordability could have been enhanced if the City had waived its development fees.

Management:

The tenant will be responsible for taking care of the property just as if it were their own home. For example, they can paint and are responsible for cutting the grass. They are also responsible for paying rent on time.

Kitchener Housing Inc. is responsible for renting the property, ongoing management issues, overall property management and rent collection.
The Board of Directors includes nine members: three municipal councillors, three community representatives, and three residents.

Role of key players:

Name	Role	Benefit
Kitchener Housing Inc. (Sponsor group)	• Served as the developer • Purchased the property • Self-financed the purchase at a low rate • Responsible for property management and rent collection	• Added to their housing portfolio • It is their mandate to provide affordable housing
City of Kitchener	• Supported the transaction and allowed the transfer of land to occur • Purchased the property and transferred it to Kitchener Housing Inc. • Contributed the services of building inspections staff who came up with the building design, helped draft the specifications, and helped with the tendering and the construction drawings.	• Support for Kitchener Housing Inc.'s mandate • Enable another affordable housing unit to come on stream • The project will generate property tax revenue
Kitchener-Wilmot Hydro Commission	• Provided the property at a discounted rate	• Recovered their costs • Good public relations • Compliance with Bill 55–legislation that required any public utility to offer its land to another utility or municipality at cost

Operating costs and revenue:

Cost (annual)	Amount
Mortgage payments	$4,824
Maintenance	$500
Utilities	$150
Property taxes	$1,800
Insurance	$200
Replacement reserves	$1,045
1. Total	**$8,519**
Revenues	**Amount**
Total Rent	**$8,700**

Project/resident satisfaction:

Kitchener Housing Inc. is very satisfied with the project in terms of location, community acceptance, design, and marketing. There was no need to pay standard mortgage rates or to seek mortgage insurance. The project will add equity to the housing corporation's portfolio and provides freedom to operate in a business-like manner, free from the usual program constraints.

The City of Kitchener is also satisfied with the project as it provides affordable housing in an existing residential area. The City would support another similar project if Kitchener Housing Inc. could arrange the financing and the project could be economically viable for affordable housing.

The tenants are very pleased with the house. They think it is beautiful inside and the lot is incredible. They are very excited about being able to move into their first house. They are very satisfied with the neighbourhood and are pleased that the houses in the area are well maintained. They are also very satisfied with the rent level, which is more affordable than townhouses in the area.

Transferability:
The development approach used in this project is considered transferable. Hydro houses exist throughout Ontario and elsewhere in the country, and are being declared surplus by Hydro Commissions. With new technology, they no longer need the substations. Unfortunately for housing providers, the recent change in legislation in Ontario means that the commissions and all public agencies must now offer surplus properties at fair market value. This will make it more difficult for groups in Ontario to develop projects similar to the one described here unless there is a different legislative environment.

There should be other opportunities to acquire properties at below market values[4], e.g. distress properties, tax sales or foreclosures. Groups may want to approach any organization in their area that has surplus land and try to negotiate a sale or long term lease at below market rates. Such an arrangement could enable the organization to benefit the community at large, is good public relations, and may provide long term economic benefits to all those involved.

It is important for groups to remain on the look-out for opportunities and properties that could become available at a good price.

Contact:
Sybil Frenette, General Manager
Kitchener Housing Inc.
200 King Street West, 5th floor
Kitchener, Ontario N2G 4V6
Phone: (519) 741-2644
Fax: (519) 741-2775

Life lease

Southwinds

Life lease

3855 Southwinds Drive
Windsor, Ontario

Sponsor:	Community Living Among Seniors (CLAS)
Goal:	To provide affordable housing to mature adults and seniors wishing to live in South Windsor.
Impetus:	Twelve area churches formed a committee to develop a housing project. The need for housing was evident within these churches and was substantiated through a survey.

Market conditions:

Very few housing options were available for seniors. The housing market was stagnant at the time of initial sales. However, units for this project sold quickly due to the desire among seniors to form a community.

Model employed:

The life lease model was used because it was seen as the only viable way to produce affordable housing without government funding. The project would not have been possible without the equity provided by purchasers.

Building characteristics:

This project includes three high-rise buildings. There are a total of 161 units that were built in three phases:

September 1993–60 units, 7 storeys
December 1994–42 units, 5 storeys
January 1997–59 units, 7 storeys

The buildings were designed specifically with seniors in mind. Each of the buildings includes a multi-purpose room with kitchen, and resident storage lockers. The elevators on each floor enter into a resident lounge with 20-foot bay windows. Two of the buildings include a workshop, crafts room, exercise room, library, boardroom, and underground parking. It was decided that the other building should not include these amenities to reduce costs and provide a more affordable product.

The halls are wide, and there is plenty of room for wheelchairs. Each unit has its own balcony, high efficiency natural gas furnace and integrated central

Project a at glance	
Model	Life lease
Sponsor name	Community Living Among Seniors (CLAS) (Windsor)
Client group	Mature adults and seniors 55+
Land tenure	Ownership
Unit tenure	Right-to-occupy
Reasons for success	Developer assistance to finance land purchase Volunteer commitment Resident equity Location
Housing form	Highrise
Income level	Moderate
Location	Windsor, Ontario
# units	161
Status	Occupied

air conditioning (Magipac). This means each household can control the temperature in his/her unit. Heating costs are as low as $120-$130 per year.

Residents served:
This project is serving seniors and mature adults who are over 55 years old.

Unit Type	No. of Units	Size (sq. ft.)
1 Bed + den	31	800
2 Bedroom	21	907
2 Bedroom	50	1,038
2 Bedroom	17	1,073
2 Bed + den	42	1,249
Total	161	

Affordability:
Residents were not asked to disclose information about their incomes and this information is not available. However, it is assumed that most of the units (75%) are serving households with moderate incomes. The two bedroom units selling for $104,900 with 25% downpayment would be affordable to households earning at least $28,800/yr. This amount exceeds the low income cut- off of $18,664/yr. for a two person household in Windsor. Approximately 10% of residents have low incomes and 15% may have higher incomes.

The purchase price was generally 15% below comparable condominium units. This was achieved because the aim was to sell units at a break even cost. There was virtually no profit

Unit Type	Mod. Income units (#)	Square footage	Price	Affordability	Comparable market price[5]	Estimated increase in value over 2 to 5 years
1 Bed + den	31	800	$80,200-$105,700	$23,889/yr.	N/A	8%
2 Bedroom	21	907	$104,900-$114,000	$28,799/yr.	N/A	10%
2 Bedroom	50	1,038	$104,900-$132,500	$28,799/yr.	$119,000-$129,900	12%
2 Bedroom	17	1,073	$124,900-$136,800	$32,774/yr.	$119,000-$132,900	12%
2 Bed + den	42	1,249	$126,800-$165,400	$33,152/yr.		15%
Total	161					

margin. In addition, the project was able to avoid some of the costs associated with condominiums. For example, this form of housing did not require registration, the New Home Warranty Program did not apply, and the GST treatment for this type of housing is less than for condominiums because it is based on rental value rather than market value.

Long-term affordability:

Upon resale, the owners may sell the unit directly to households on the waiting list. The price is negotiated based on market values. The purchase price is payable to the sponsor (Community Living Among Seniors), upon signing a new life lease agreement. The sponsor keeps 5% and remits the balance to the departing resident.

To date, vendors have been able to sell their units at above market values, and it is expected that the value and price of units the will increase over time (see table above). There is great demand because of the services, amenities and programs designed specifically for seniors. The result is that units will be less affordable to subsequent purchasers.

The ability of owners to sell their units on the open market is seen as a positive feature that enhances the marketability of the project. On the other hand, because units are sold at market values, this model does not provide for long-term affordability of the units. It is possible to modify life lease agreements so that there is greater control over long-term affordability, however, this can make it more difficult to market the units. One alternative is for sponsor groups to retain 10% of the purchase price and offer a rebate to the subsequent purchaser.

It should also be noted that the sponsor has the first right to buy the unit at the negotiated price. In addition, because the sponsor collects 5% of the purchase price, the group is able to build up a fund. Over a five year period, it is expected that the fund would contain sufficient revenue to purchase a unit that could then be rented to a low income seniors household. Funds could also be used to enhance the development.

Land acquisition:

A local developer, Marathon-Delco, purchased all three parcels of land on behalf of the sponsoring organization, on the understanding that they would be hired to do the construction on a turnkey basis. The developer carried the land for five years and sold it to the sponsor as each phase was built and occupied. The sponsor organization owned the land upon completion.

Financing:

This project was started by a group of people who had no financial resources to assume any up-front development costs. They obtained services from the development consultant, architect, and lawyer on a speculative basis. Everyone was willing to work like this because of their interest in the project.

The turning point came when the development consultant found a developer/contractor who agreed to purchase the entire site and carry the land until the units were sold. Plans were then drawn up for a first building. There were six different unit plans.

People saw the plans and were willing to contribute the required 25% of the value for each unit as a down payment. This did not seem to pose a problem as most households were either moving out of an existing home or had some other assets. In some cases, however, it took some time before the seniors were able to access or liquidate the funds required. Sixty percent of the units were pre- sold prior to construction. This strategy reduced the risk, provided an indication of demand for the project, and enabled the project to be financially viable. Eventually, all three buildings were completed.

The balance of the purchase price was due when the building was completed and ready for occupancy. Purchasers are able to obtain individual leasehold financing for their units, and can borrow up to 75% of the value of the life lease at conventional rates. An assignment of the life lease agreement is used as security. It has been possible for purchasers to obtain financing at 1/4% to 1/2% below the posted mortgage rates where banks are interested in attracting the seniors' banking business.

The area churches were very supportive in encouraging people to purchase units in the development and were willing to include notices in their bulletins.

Capital Cost	Amount	Details
Land	$1,500,000	Developer carried the land on condition of undertaking construction
Construction	$14,555,000	
Soft costs		
• Professional fees	$1,130,000	
• Municipal fees	$116,000	
• Interest	$645,000	Paid to developer who arranged financing
• Marketing	$18,000	
Taxes		
• Property taxes	$21,500	
• Transfer taxes	$18,000	
• GST	$736,000	
Appliances, furniture & equipment	$300,000	
• **Total**	**$19,039,500**	

The average cost per saleable square foot was $125.

Source of Funds	Amount	Details	Share of Funds
Resident equity	$3,100,000		16%
Sponsor equity	$200,000	Membership in organization, fund raising and donations	1%
Construction	$15,739,500	From the contractor, Marathon-Delco	83%
Total	**$19,039,500**		**100%**

Role of sponsor:
The sponsor group entered into a formal partnership agreement with Marathon-Delco regarding the purchase of land and construction of units. They also hired the architect and development consultant who worked on spec for about three years. The sponsor group also coordinated all activities with the assistance of the development team, undertook all marketing, and volunteered countless hours over 10 years.

Role of key players: (in alphabetical order except for sponsor group)

Name	Role	Benefit
Community Living Among Seniors (Sponsor group)	• See above	• Provided homes
City of Windsor	• Expedited approvals • Attended all functions • Reduced development costs • Waived parkland levy	• Wanted the project to proceed for area residents.
Life Lease Associates of Canada /Zock & Associates Inc.	• Resource Group/Development Consultant • Worked on spec for three years • Organized all development activities	• Secured contract for all 3 phases • Paid—eventually
Marathon-Delco Contractors	• Assumed some up front costs • Carried the land until units were sold • Secured financing • Undertook municipal approvals for variances, etc.	• Sold the land and undertook construction
McCormick & Zock Inc.	• Worked at reduced fees	• Property management contract

Reasons for success:

1. Assistance from the developer in carrying the land made the project possible.
2. Volunteers worked more than 10 years on this project and were determined to succeed.
3. Resident equity in the amount of 25% for the down payment as well as pre-sales for 60% of the units in each phase were necessary for financial viability.
4. The location of the site was also key to the project's success.
5. Assistance from hundreds of committed volunteers and goodwill created a dedicated development team.
6. The project would not have been able to proceed without the "know how" and commitment of the development consultant who kept the project on track.

Obstacles:

The biggest obstacle this group needed to overcome was financing. The group researched the possibility of obtaining a conventional loan, but this would have required mortgage insurance. Mortgage insurance from CMHC was judged expensive. In addition, the group would have been required to register the building as a condominium. The group did not want to do this because of the additional cost and because it would have changed the nature of the development. The group also had great difficulty in securing land. Eventually both the financing and ability to obtain land was made possible because of the developer. Equity from the purchasers was also necessary for the project to proceed.

Management:

The development is run by a Board of Directors. Originally, the Board included 12 members, one person from each of the 12 area churches. Several members have purchased units, and 10/12 residents are on the Board. To be a Board member, it is necessary to be a member of CLAS. Each of the three buildings has a Residents' Association that controls the costs for their buildings and reports to the Board. The Board reviews the operating aspects of each building with assistance from the Residents' Associations.

McCormick & Zock Inc. has been hired to carry out the property management.

Operating costs and revenue:

Each resident pays a monthly charge to cover maintenance costs, common utilities for hot and cold water, administration and insurance. Residents also contribute to fund replacement reserves in the amount of 20% of the operating year. No costs have been incurred for vacancies or bad debts as there continues to be a waiting list for the development.

Each resident pays his/her own gas and hydro and property taxes.

Project/resident satisfaction:

There is a high degree of satisfaction with the project in terms of the location, sense of community and management structure. The affordability level is satisfactory. Residents are very satisfied with the design which was developed specifically with seniors in mind. They enjoy the resident lounge and beautiful view from the bay windows. There is a high degree of satisfaction with the size of the units, the ability of each household to control the temperature in their units, and the cost of heating. The amenities are also satisfactory. The party room is often used for events by the entire building, which helps contribute to a strong community spirit.

Residents are happy with the selling arrangements. People feel it is "their home" and appreciate not having controls placed over the selling price.

Transferability:

This model is transferable. There is no reason why this type of project could not be developed in other areas where seniors are interested in living together in a housing development and they could contribute sufficient equity. Some 40 life lease projects are not under development across Ontario.

Contact:
Gary Zock, President,
Life Lease Associates of Canada
P.O. Box 430 Lambeth Stn.
London, Ontario N6P 1R1
Phone: (519) 652-1192
Fax: (519) 652-1174

or

425 Sackville Street
Toronto, Ontario M4X 1T1
Phone: (416) 972-1919
Fax: (416) 972-1772
Email: gzock@istar.ca

Ownership

Le Clos Mont Royal *Ownership*

160 Mont Royal Est
Montréal, Quebec

Sponsor:	Habitat sur mesure
Goal:	To provide housing at an affordable price to homeowners in an urban milieu. To provide residents with the use of innovative housing concepts. To tap into new lifestyles in an urban setting (e.g. home offices).
Impetus:	There are limited opportunities in the neighbourhood for residents to own new affordable housing. The neighbourhood has shown an interest for the last two years in this type of housing and there currently is a demand.

Market conditions:

There is a 2% vacancy rate in the neighbourhood. Interest rates are reasonably low. Very little homeownership exists in the area. The region has a modest real estate market. There are limited opportunities to purchase properties for redevelopment.

Model employed:

The general approach used is to find an affordable piece of land, determine the number of dwellings required for financial viability, resolve what type of clients to serve, use known developers and builders, and know the area well. This technique has worked a number of times.

Le Clos Mont Royal involved the sales of 19 condominiums, three ground floor commercial spaces and nine parking spaces. Urban homeownership was marketed mainly to empty nesters for the higher end suites. Purchasers of the suites included singles. Single parent families purchased some lower cost suites.

Project a at glance	
Model	Ownership
Sponsor name	Habitat sur measure
Client group	Empty nesters & first time ownership
Land tenure	Ownership
Unit tenure	Condominium
Reasons for success	Density bonus and other municipal support Right property at the right price Neighbourhood specific location High ratio mortgages Cost-efficient builder Financial assistance from developer
Housing form	Low rise apartments
Income level	Low and moderate income
Location	Montréal, Quebec
# units	19
Status	Occupied

Building characteristics:

A new three- and four-storey apartment building with three commercial spaces on the ground floor and 19 residential suites. There are nine interior parking spaces. The locations of the units vary from basement to top floor with mezzanine and roof terrace. The wood frame building has a brick facing and has been designed to fit in with the historical buildings in the neighbourhood.

No two units have the same layout. There are two two bedroom basement suites, three two bedroom ground floor suites (one with a private garden), five second floor apartments (four two bedroom and one one bedroom), three third floor apartments with mezzanine and roof terrace (two two bedroom and one bedroom), six two storey third & fourth floor) units with roof terrace (four two bedroom and two one bedroom). Access to the suites is directly from the street or from the back via a flight of stairs if necessary. The residents may use a garden space in the back of the building. The three commercial spaces are located on the ground floor of Mont Royal Avenue.

Unit Type	**No. of Units**	**Size (sq. ft.)**
1 Bedroom	4	952-1,133
2 Bedroom	15	921-1,375
Commercial area	3	385-1,259
Total (not including commercial areas)	**19**	**20,467**

Residents served:

Ten of the homeowners are empty nesters. Four of the households are composed of single parent families. Single residents purchased five units. The suites appeal to residents of the neighbourhood who want new housing, empty nesters, and people who wish to move from the suburbs to an urban community.

Affordability:

The units are being sold at market value. Mostly moderate income households are being served. Their annual incomes range from $25,000 and up. The two bedroom units selling for $82,000 are

Unit Type	Units (#)	Price	Affordability	Comparable market price
1 Bedroom	4	$93,000-125,000	$32,505/yr.	Approx. $5,000 to $10,000 more
2 Bedroom	15	$82,000-139,000	$29,881/yr.	Approx. $5,000 to $10,000 more
Total	**19**			

affordable to households earning $29,881/yr. or more with a 10% downpayment. This is just below the low income cut-off of $32,800 for Montréal. The nine parking spaces are being sold for $8,000 per space.

Long-term affordability:

There are no measures to provide for long-term affordability.

Land acquisition:

The land was initially purchased by the developer, Construction Gamarco Inc. All residential and commercial owners co-own the land.

Financing:

Capital Cost	Amount
Land	$265,000
Construction	$1,200,000
Soft costs	
• Professional fees	$15,000
• Municipal fees	$9,500
• Marketing	$58,000
Contingency	$20,000
Total	**$1,567,500**

Figures for the capital costs were provided by the architect.

Role of sponsor:

Habitat sur mesure is a small architectural firm which has established a niche in its neighbourhood by initiating the development of and doing the design of small condominium projects. The firm has been involved in infilling or building new projects. Expertise similar to Habitat sur mesure in locating possible development sites in their neighbourhood is a pivotal element for projects like Le Clos Mont Royal.

Source of Funds	Amount	Details
sponsor equity	5% to 25%	Deposits in trust were made to the developer with amounts varying from $2,000 to $8,000
construction financing		the developer borrowed the funds for the construction costs
take-out financing	75% to 95%	Each resident is responsible for securing their own mortgage financing

Role of key players:

Name	Role	Benefit
Habitat sur mesure (Sponsor group)	• Originator (e.g. located land to purchase) • Project cost analysis skills • Intermediary between land vendor and developer • Building design & supervision	• Fee • Recognition • Generates other business
Construction Gamarco Inc.	• Developer (risk taker) • Purchased land • Obtained construction financing • Partnership with builder	• Guaranteed project • Profits
City of Montréal	• Accepted density increase • Allowed code requirements to be fulfilled in an innovative way (resulted in a more functional, attractive building and reduced construction costs) • Facilitated quick permit approvals	• Reconsolidated part of Mont Royal Street • Revitalized part of urban neighbourhood with attractive integrated building • More housing stock • Increased number of property taxpayers • Increased local commercial activity
Habitations Euroval	Builder Partnership with developer	• Business income • Profits • Provide workers with jobs

Reasons for success:

Economic:

1. City allowing density increase and allowing code requirements to be fulfilled in an innovative way (e.g. the elimination of some corridors, allowing two-storey units on the third and fourth floor that permitted fire code equivalencies) resulted in reduced construction costs.
2. Opportunity to find land in the right location and at the right price.
3. Reasonable "neighbourhood specific" market conditions for suite/commercial space sales.
4. The majority of purchasers were former tenants who obtained 95% mortgages insured by CMHC.
5. Builder used methods to be as cost-efficient as possible.
6. Developer having the means to cover financing.

Other:

1. Architect kept design within City code/regulation requirements, despite difficulties.
2. City staff were very supportive of innovative ways of designing project, approvals were done in a timely manner.

Obstacles:

Economic:

1. Slight land contamination; resulted in two month delay.
2. Viability of developments are site specific and limited to neighbourhood.
3. Rigid building code.

Management:

A condominium corporation will be formed within the first six months of occupancy.

Operating costs and revenue:

(Not available)

Project/resident satisfaction:

The proponents of the project are very satisfied with the project's location, amenities, design, site density, and services. They are pleased with the affordability (of the suites, commercial spaces and parking spots), community response, marketing of suites, resident satisfaction and ownership model for this project. The City of Montréal achieved some of their goals with this development: the revitalization of vacant land, anchoring a street corner, and a well designed building.

Transferability:

This model is transferable. The following factors would contribute to success:

- Quality of design of building in existing neighbourhood;
- Highly dependent on neighbourhood specifics;
- Design/organization of interior spaces of building;
- Build fewer basement suites as these are difficult to sell;
- Density increases allowed; and
- Right market conditions to sell "affordable" suites.

Comments:

Similar conditions elsewhere in Canada should provide like development opportunities.

Contact:
Jocelyn Duff, architecte
Habitat sur mesure
4626 rue de Bordeaux
Montréal, Québec H2H 2A1

Phone: (514) 596-1492
Fax: (514) 596-1492

Hart and Ste. Cécile Development *Ownership*

Corner of Hart and Ste. Cécile Streets

Trois-Rivières, Quebec

Sponsor:	Les Habitations Populaires Desjardins du Centre du Québec
Goal:	To provide moderate income homeownership and, principally, to develop vacant land in the City's urban core.
Impetus:	The land belonged to the local caisse populaire as a result of a foreclosure. Les Habitations Populaires Desjardins du Centre du Québec (a.k.a. H.P.D.C.Q.), and the local caisse populaires work together to develop housing projects in the urban cores of cities. The available land provided a very interesting opportunity for development.

Market conditions:

The vacancy rate for housing at the time (1992) was 5%. It was much less difficult in the Trois-Rivières region to sell real estate than it is today.

Model employed:

Ownership with proviso that payment of $7,500 land cost be deferred for seven years. Deferred land payment contributed to viability, affordability and social aims of land owner, the local caisse populaire and the City of Trois-Rivières.

Building characteristics:

Two wood frame with brick facing two storey semi-detached houses located on the corners of Hart & Ste. Cécile streets. Parking spaces are available on the properties. The lots have areas for gardening/landscaping.

Project a at glance	
Model	Home ownership
Sponsor name	Les Habitations Populaires Desjardins du Centre du Québec
Client group	Moderate income home owners
Land tenure	Ownership
Unit tenure	Freehold
Reasons for success	1. Land payment deferred for seven years 2. Re-zoning allowed for increased density from 1 to 2 homes 3. Willingness of developer to dispose of property
Housing form	Semi-detached
Income level	Moderate income
Location	Trois-Rivières, Quebec
# units	2
Status	Occupied

Unit Type	No. of Units	Size (sq. ft.)
2 Bedroom	2	1,200
Total	**2**	**2,400**

Two bedroom houses of 1,200 square feet were built in the city core. The selling price of $46,000 for new houses made it possible to attract pre-sales.

Residents served:

Two households living and working in the city core succeeded in becoming homeowners.

Affordability:

The homes are considered affordable to households with incomes of $25,000 to $30,000 per year. The units are actually affordable to households earning about $18,000 per year or more, who have saved a 25% downpayment. The low income cut-off for a family of four in Trois-Rivières is $28,100/yr. However, because of the large downpayment necessary, these units are considered affordable to moderate income households. The new dwellings were affordable because the payment for the $7,500 land cost was deferred for seven years.

Long-term affordability:

There are no measures to provide for long-term affordability.

Land acquisition:

The homeowners own the land but payment on the land was deferred for seven years.

Unit Type	Moderate income units (#)	Price/unit	Affordability	Comparable market price
2 Bedroom	2	$46,000	$17,793/yr.	$57,000
Total	2	$92,000		

Financing:

Capital Cost	Amount
Construction	$80,000.00
Soft costs	
• Professional fees	$7,000.00
Total	**$87,000.00**

The financing of the development was done under the auspices of the local caisse populaire and the greater caisse populaire sector. This allowed for minimal capital costs overall, especially soft costs.

Source of Funds	Amount	Details
resident equity	25%	
resident take-out financing	75%	Twenty-five year amortization period
Total	**100%**	

Role of sponsor:

Les Habitations Populaires Desjardins du Centre du Québec (a.k.a. H.P.D.C.Q.) is a resource group established 19 years ago by a group of caisse populaires in the region and by the Fédération des Caisses Populaires du Centre du Québec. Over 40 non-profit societies have been formed with close to 2,000 housing units renovated or built under the aegis of the resource group. H.P.D.C.Q. worked with the local caisse populaire and the City of Trois-Rivières to find solutions to their problems.

The sponsor gives equal attention to the development of housing co-operatives. It has a provincial mandate by the "Mouvement Desjardins" to offer housing development consulting services for social and community based housing to caisses populaires (credit unions).

Reasons for success:

Economic:

1. Payment of land deferred for seven years, allowed sale of the units.
2. Re-zoning allowed by City that increased density from one to two homes on the site.
3. Willingness of developer to sell homes at below market value.

Other:

1. Sophistication of the partnership players: Les Habitations Populaires Desjardins du Centre du Québec, the Caisse Populaire St. Philippe de Trois-Rivières and the City of Trois-Rivières.

Obstacles:

Economic

1. Financing viability: real estate market makes sale of houses with land price included not viable.
2. Rezoning required.

Role of key players:

Name	Role	Benefit
Caisse Populaire St. Philippe de Trois Rivières	• Land owner–allowed the purchasers to defer paying the land for seven years • Lender	• sale of land • mortgage lending • tax payments transferred to homeowners • seen as innovators • seen as enhancing social fabric of community
Les Habitations Populaires Desjardins du Centre du Québec	• Resource group	• fee • seen as innovators • seen as proponent for enhancing social fabric of community • enhances image of caisse populaire movement
City of Trois Rivières	• Municipality–allowed rezoning and increase in density from one to two homes on the site; and • allowed the use of its publicity mechanisms to promote the sale of the two houses	• increased the city's tax base • revitalized a part of the city's core • seen as innovators • seen as enhancing social fabric of community
Chantiers Populaires	• Builder	• profits • seen as contributing to local economy

Management:

N/A The 2 houses are privately owned.

Operating costs and revenue:

N/A The two houses are privately owned.

Project/resident satisfaction:

The project was considered a success to the proponents. Please see Role of Key Players above. The sponsor was very satisfied with the purchase price, the speed of the house sales, the sense of community generated, the services available and ownership as the type of tenure.

The residents are very satisfied with being homeowners and were/are satisfied with the purchase price, location, amenities, the design, the density (semi-detached), sense of community and services associated with their homes.

Transferability:

The strategy used to develop this project is considered transferable.

- Deferred payments for land may also make development possible in other parts of the country.
- Re-zoning to increase the number of homes that may be developed on a site (e.g. density) may help achieve development viability.

Comments:

Inactive properties held by financial institutions, governments, etc., might be able to benefit from development if deferred (e.g. land) payments policies are implemented.

Contact:
Ghislain Aubin, Directeur général,
Les Habitations Populaires Desjardins
du Centre du Québec,
1160 Terrasse Turcotte,
Trois-Rivières, Québec G9A 5C6

Phone: (819) 374-2586
Fax: (819) 374-8147
Email: hab.pop.desjardins@inforteck.qc.ca

Parliament Square Co-operative

39 Parliament Street
Toronto, Ontario

Sponsor: Parliament Square Co-operative Housing Corp.

Goal: To provide the most affordable homes possible at a specific location in downtown Toronto.

Impetus: A group of people wanted to own their own homes at the lowest price possible in this location. They had been interested in purchasing a unit in a previous project developed by Options for homes (St. Lawrence Co- operative), but were unable to because it was sold out. These people formed the Board of Directors for Parliament Square.

Project a at glance	
Model	Ownership
Sponsor name	Parliament Square Co-operative Housing Corp. (Options for Homes-Resource Group)
Client group	Different types of household
Land tenure	Ownership
Unit tenure	Condominium ownership
Reasons for success	1. Development model (e.g. building co-op, marketing strategy, and discount) 2. Equity and forgivable loan provided by land-owner 3. 80% pre-sales
Housing form	Highrise
Income level	Mostly moderate
Location	Toronto, Ontario
# units	180
Status	Occupancy scheduled for June 1999

Market conditions:

The market for condominiums was healthy and active, which meant it was an ideal time to develop condominium units. The volume of sales was up by 30%.

Model employed:

This model has been created by Options for Homes as a non-subsidized replacement for previous housing programs and is proving ideal for providing homes at the lowest possible cost. Options for Homes serves as the resource group.

The model involves the creation of a building co-operative that purchases the land before construction and plays a key role in the development process. The co-op acts as the developer (e.g. hires architects and chooses materials), with support from Options for Homes. Once the building is registered as a condominium, ownership of the land is transferred to the condominium owners. The building is then managed as a typical condominium.

Capital costs for the development are reduced in the following ways:

- The developer's profit is eliminated because the purchasers–members of the building co-operative–act as the developer.
- Marketing costs are minimized because there is reliance on mailings, word of mouth and information meetings. There is no need to create a model suite. Costs for marketing and commissions are expected to be as low as $1,500 per unit compared to $20,000 per unit, which is the industry standard.
- The building is designed with reduced amenities to keep costs down.

The model and marketing strategy employed enable high pre-sales, which is necessary for financing.

Another key aspect of this model is the ability to develop additional affordable housing projects on an ongoing basis. This is achieved by recovering the difference between the cost price and market value (10% in this project), by way of a 2nd mortgage applied to the condominiums and repayable upon 1st resale. When the 2nd mortgage is repaid, it is deposited into an equity pool that is used to start another similar project elsewhere. As the equity pool grows, it is expected that future projects could be even more affordable.

Building characteristics:

This will be a 180 unit highrise building developed through new construction. It will include a multi- purpose room with kitchen, a landscaped roof deck, and small laundry room.

Because the goal of the project is to be as affordable as possible, the building will not include amenities that are standard in most condominiums in downtown Toronto, such as a pool, sauna or exercise room.

The original owner of the site will retain ownership of the ground floor under strata title. This space will be used for retail, and residents will have direct access. A day care centre will be developed on one half of the second floor of the building.

Unit Type	No. of units	Size (sq. ft.)	Purchase Price	Affordability	Comparable market rent
Bachelor	20	385-510	$63,000-$88,000	$25,899/yr.	N.A
1 Bedroom	40	566-658	$89,900-$125,000	$32,316/yr.	110900-169900
2 Bed + Den	48	780-858	$120,000-$145,000	$39,496/yr.	N/A
2 Bedroom	48	942-1057	$147,000-$190,000	$45,936/yr.	144990-228900
3 Bedroom	24	1171-1441	$174,000-$295,000	$52,377/yr.	226900-329900
Total	**180**				

Residents served:

The development will serve a variety of different types of residents, including single people, single and two-parent families with children, couples without children and seniors.

At least 12 units will be wheelchair accessible for people with physical disabilities (e.g. quadriplegic and paraplegic). Attendant care support services will be available from Tobias House for up to 6-8 hours per day. The individual residents will be responsible for covering the costs for these services, although funding may be available through government support. One unit will be used as an office for attendant care.

It is expected that 95% of the units will be owner-occupied.

Affordability:

This project will serve mostly moderate income households. The original targeting plan was to serve at least 55% of households with incomes below the 60th percentile for renters in the Greater Toronto Area (e.g. $57,000 for 2 adults). The two bedroom unit selling at $147,000 is affordable to a family earning $45,936 yr. (with a 10% downpayment), above the low income cut-off of $32,800 for Toronto. Based on the 90% of units sold, most of the units (60%) are serving moderate income households. Approximately 20% of the units will serve lower income households and 20% will serve those with higher incomes.

Prices are significantly less than traditional condominium units of a similar size elsewhere in Toronto because of the nature of the model, described above.

In addition, initial purchasers receive a discount based on the difference between the cost to develop the unit and the market value (10% in this project), which is registered as a 2nd mortgage, to be repaid upon resale. The discount reduced the amount necessary for the down payment, (since the 10% can be considered as equity), thereby making it easier for first time buyers to enter the condominium market.

Long-term affordability:

Subsequent purchasers will pay the full market price for a unit. No measures are in place to keep units affordable upon resale.

In future projects, the availability of 2nd mortgage funds is expected to make it possible to target lower income households. Again, the benefits would be realized by initial, rather than subsequent purchasers upon resale.

Land acquisition:

The Building Co-op owns the land until the condominium is registered. Upon registration, title to the land will be transferred to the condominium owners. The original landowner is retaining ownership of the ground floor commercial space under strata title.

Financing:

The capital budget for this project is set out below.

Capital Cost	Amount
Land	
• Purchase price	$4,180,000
• Legal fees; noise, wind & soil tests; appraisal, warranty & condo application fees; & consultants fees	$415,000
• Imposts and levies	$451,000
• Land transfer tax	$62,700
Building and Interest	
• Residential construction cost	$16,650,000
• Commercial day care	$950,000
• Interest during construction	$1,250,000
Soft costs-fees and charges	
• Professional fees and charges	$2,011,650
• Marketing fees and disbursements	$550,000
• Property taxes	$50,000
• GST	$1,388,800
• Contingency	$200,000
Additional costs	
• Upgrades and appliances	$852,500
• Alternative (2nd) mortgage (10%)	$2,564,000
Total	**$31,575,650**

Although the total amount budgeted for marketing is $550,000, the actual costs are expected to be no more than $270,000 ($1,500 per unit). The surplus may be used elsewhere or rebated to the purchasers.

Role of Sponsor:

the Parliament Square Co-operative Housing Corporation is responsible for developing the project and is at risk in case the project fails. The Board of Directors meets once a month.

Options for Homes performs all the functions of a resource group including registration of the condominium.

Volunteers also play an important role. For example, people who have purchased units often attend information meetings to help answer questions and explain why they purchased a unit.

Source of Funds	Amount	Share of Funds
Total suite income	$25,640,000	81%
Commercial day care	$950,000	3%
Appliances & GST credit	$361,313	1%
Parking	$1,250,000	4%
Lockers	$320,000	1%
Upgrades & GST credit	$512,500	2%
Other	$2,564,000	8%
Total	**$31,597,813**	**100%**

Role of key players:

(in alphabetical order except for sponsor group)

Name	Role	Benefit
Parliament Square Co-operative (Sponsor group)	• See above	• Obtain homes
CIBC Retrocomm	• Provided interim financing after the sales were in place	• Fees and interest
Tobias House	• Will provide attendant care services	• Fees and ability to further their charitable purpose
City of Toronto	• Allowed the group to take advantage of social housing policies, e.g. reduced parking requirements and reduced municipal fees	• Affordable housing at no cost to the government
Walter Davies Construction Ltd.	• Agreed to a guaranteed price contract	• 8% profit and manage ment mark-up
Walter Davies Management Ltd.	• Property management	• paid a fee to do property management
Wyndham Court Canada Ltd.	• Owned the land. Took a vendor-take-back mortgage to provide equity for interim financing and guaranteed to buy back 26 units if sales collapsed. Also provided a forgivable loan of up to $550,000 for marketing	• Income from the land. Added value to rest of the site.

Reasons for success:

1. The development model (e.g. building co-op, marketing strategy, and 10% discount registered as 2nd mortgage) makes it possible to produce homes at a lower cost, below market values and increases affordability for initial purchasers.
2. The land owner's willingness to understand and support the development model played an important role in ensuring the success of the project. His equity contribution was critical as the forgivable loan of up to $550,000 for marketing, which enabled the group to secure a high percentage of pre-sales.
3. Achieving 80% pre-sales at the time of construction.
4. The expertise and track record of the resource group (Options for Homes), was also essential for the success of this project.
5. The availability of 2nd mortgage funds will improve viability for future projects and make it possible to serve lower income households.

Obstacles:

The availability of equity is the greatest obstacle in developing affordable housing. It is very difficult to provide sufficient equity to satisfy a bank when seeking construction financing. In this project, this obstacle was overcome by the land owner's equity contribution and pre-sales.

Management:

This project will be managed by the owners as if the case with a typical condominium. The Board of Directors will include seven people. For the first year, property management will be done by Walter Davies Management Ltd. After that, the

Board can decide if it wishes to renew the contract.

There will be an opportunity for residents to volunteer on committees (e.g. landscaping or social).

Costs (monthly)	**Amount**
General & Administration, Insurance, management & professional fees, general office, etc.	$65,000
Maintenance (labour, materials and services)	$95,000
Utilities: Electricity; gas or steam; water and sewage	$235,000
Reserve Fund	$40,000
Contingency	$55,200
Total	**$591,200**

Revenues	**Amount**
Regular monthly condominium fees	$491,200
Total revenues	**$491,200**

Project/resident satisfaction:

To date, this project has proven to be very satisfactory in terms of the location, community response, design and marketing. The affordability level is satisfactory, however, it is intended that future projects will be able to achieve a higher degree of affordability.

In discussions with representatives from both the St. Lawrence and Parliament Square projects, the following comments were noted regarding their reasons for purchasing a unit:

- Support for the non-profit co-operative style of living;
- Location;
- Desire for an opportunity to own a home and build some equity;
- Enjoy the building co-operative model which provides an opportunity for purchasers to have a say in the design of their building. This gives purchasers some control over their project as well as a sense of responsibility. They can ensure that they will receive value for their money and reduce costs by eliminating the profit that would have been realized by a private development company. The process of working together as part of the co-op also provides an opportunity to meet the people who will live in the building when it is completed.
- Support for the 2nd mortgage concept which makes it easier for first time buyers to enter the condominium market while at the same time keeping out speculators who would hope to "flip" the units.
- Couldn't have bought this type of unit in a comparable downtown location for the same price.
- Wide variety of people will live there–young and older, mixed income, mixed backgrounds.
- Savings achieved because of marketing strategy which relies on word of mouth and flyers–instead of fancy advertising, a model suite and highly paid sales staff.
- Strong community. People get to know their neighbours during the development process and develop a strong commitment to the project. It is expected that 95% of the units will be owner-occupied. People feel they have an opportunity to create a community that they own a piece of.

Transferability:
The concept is transferable to other cities in Canada provided they have an active housing market. The model is sufficiently complex that it would be difficult to implement without consultation with Options for Homes.

Comments:
This model has been applied to multiple sites in the Toronto area as noted below, with 557 units occupied and under development. It has been specifically designed to be able to be implemented by other non- profits nationally and under licensing agreement with Options for Homes:

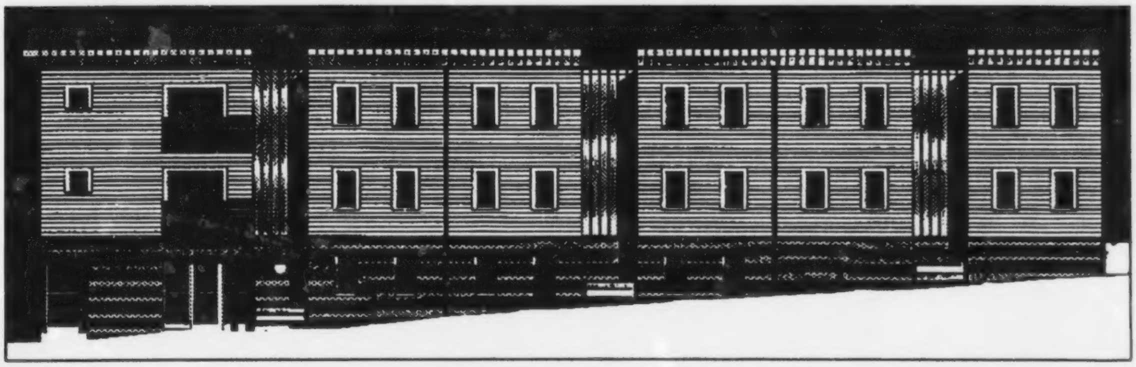
Weston Village Co-operative	42-unit townhouse	Occupied
St. Lawrence Co-operative	95-unit apartment	Occupied
Parliament Square Co-operative	180-unit apartment	Under construction
Mill Street Co-operative	160-unit apartment	Marketing phase
Queen Street Co-operative	80 apartments	Marketing phase
Total	**557 units**	

Contact:
Mike Labbe
President, Options for Homes
55 Mill Street
Toronto, Ontario M5A 3C4

Phone: (416) 867-1501
Fax: (416) 867-1743

Creighton/Gerrish Development *Ownership & Rental*

Halifax, Nova Scotia



Sponsor: Creighton/Gerrish Development Association (CGDA)

Goal: This is a comprehensive development initiative designed to complete the longstanding social and economic renewal process of the North End of Halifax. It involves a comprehensive mixed use and mixed tenure strategy to create:

- six semi-detached 3 bedroom freehold ownership homes
- six freehold ownership "starter" homes–two bedrooms
- two–20 unit condominium buildings–two and three bedroom stacked units
- one 19-unit non-profit rental building for low income and hard to house singles
- a multi-purpose centre facility for the Black Community

The five projects will be individually financed but developed as interdependent parts of a single development sequence. No component will be expected to stand alone, and the initiative will proceed only when all have been secured. The total value is expected to be approximately $6.5 million over 3-4 years.

Another goal is to see if it is possible to build affordable housing and housing for low income single persons in the absence of traditional ongoing subsidy programs.

Impetus: The North End of the Halifax Peninsula has been the focus of renewal programs for almost 40 years. Although the overall results have been promising, there are still isolated pockets of substandard housing and underutilized vacant land. These are a serious impediment to the area's full recovery.

In 1993, Harbour City Homes, one of the partners involved in the Creghton/Gerrish Development Association (CGDA) that owns and operates non-profit housing in the area, obtained a grant from the Affordability and Choice Today (ACT) program, funded by CMHC. The purpose was to determine the feasibility of continuing the renewal of the Old North End of Halifax by encouraging residents to participate in home ownership. The study showed that without addressing the deteriorating conditions of the larger area, these would be an impediment to marketing affordable home ownership.

Project a at glance	
Model	Ownership and non-profit rental
Sponsor name	Creighton/Gerrish Development Association (CGDA)
Client group	Families and single persons from the community
Land tenure	Ownership
Unit tenure	Ownership and rental
Reasons for success	Strategy with City and Province to secure land PDF loan and ACT grant Provincial mortgage guarantee, interest free loan to purchase land, and Rent Supplement Highly credible development team
Housing form	Mixed development
Income level	Low and moderate
Location	Halifax, Nova Scotia
# units	71
Status	Under development

Market conditions:

Extensive market research was carried out to determine what it would cost to develop the property and what people could afford to pay. Vacancy rates are high for rental housing (8.5%), although most of the vacant units are not affordable to households in core need. Substantial cuts to social assistance shelter rates for single individuals and high rates of un- and under-employment are forcing people into shared accommodation and rooming houses. At the same time, non-profit providers are having a difficult time keeping units filled because of their own high operating costs and concerns about the neighbourhood. Single persons are in desperate need and have few options.

Studies showed that there would be a market for the ownership units affordable to households earning between $25,000 and $30,000 a year. These units would have the benefit of encouraging higher income households in social housing to move out, thereby freeing up units for lower income households. The units would also help improve the neighbourhood, which could alleviate vacancies in the non-profit projects in the area.

Model employed:

The Creighton/Gerrish Development Group is a partnership of private, public and non-profit interests including the following organizations:

- Affordable Housing Association of Nova Scotia (AHANS);
- Black Community Work Group;
- Harbour City Homes; and
- Metro Non-Profit Housing Association

These groups came together specifically for the development of the area. They did not want to build just one project. They wanted a comprehensive development strategy.

At first, the group tried to arrange financing for the entire development. However, they had no equity, so this approach was not possible. They received advice that if they divided the project into five components, it would be easier to obtain financing. This approach of sequencing the banking and release of land would reduce the overall project to manageable pieces and limit the exposure of the parties, including the individual owners, Halifax Regional Municipality, CGDA and League Savings and Mortgage. At the same time, owners and lenders should feel reassured because as individual projects are completed, the remaining properties should appreciate in value.

Other ways that this group is seeking to achieve affordability and economic viability include:

- Obtaining a lower mortgage rate and lower land cost;
- Reviewing all the components of a traditional development budget to find ways of being more efficient and reducing costs. The group was very tough minded on building and overhead costs. At the same time, they are insisting on high quality design.

Building characteristics:

The six semi-detached freehold ownership units will have a full accessible lower ground floor that could be used as a "home office" or revenue apartment.

The six freehold ownership "starter" homes offer two bedroom units with finished ground floor space. The upper floor will be only partially finished to provide a more affordable product. Four of the units will be row housing. The other two will be semi-detached.

Both condominium projects will be low rise, four storey buildings. They are organized in groups of four around a common entry and stairway. Each dwelling has an upper bedroom level and a living level with either an exterior ground-level terrace or large exterior deck. They will be built in two stages of 20 units each.

The 19-unit non-profit apartment building will include 18 self-contained studio apartments in a 2 1/2-storey wood frame building. In addition, there will be a one-bedroom supervisor's apartment, shared amenities and outreach facilities. The multi-purpose facility will include some retail space (e.g. small grocery, credit union, etc.), as well as a library, resource centre, meeting rooms, computer lab, offices, class and seminar rooms. This will enable programs, projects and activities that are scattered throughout the city to be consolidated.

Residents served:

The ownership units will be targeted to families with children. Those who live in the community or who used to live there and want to return will have the first opportunity to purchase units. The non-profit rental units will be for low income single persons, many of whom are hard to house.

Affordability:

The ownership units are intended to be affordable to moderate income households with incomes in the range of $25,000-$30,000. According to studies done by the sponsor, prices will be below average resale prices of $112,000 for the Metropolitan area in 1998. It is difficult to provide comparable market prices because there are virtually no other units of comparable quality and cost in the immediate area. The two bedroom condominiums would be affordable to households earning at least $23,427/yr., below the low income cutoff of $28,100 for a family of four in Halifax.

Rents in the non-profit rental building will be set so that 13 of the units will be affordable to those in receipt of $490 through social assistance for singles disability shelter. Another five units will be available for those in receipt of $225 for singles shelter. Rent supplement assistance will be available from the Province for these five units. The supervisor's apartment will be available at half price ($245/month).

Unit Type	No. of Units	Size (sq. ft.)	Purchase price	Affordability
Semi-detached 3 bedrooms	6	1,000	$89,000	$29,033/yr.
Starter homes 2 bedrooms	6	800	$69,500	$24,381/yr.
Condominiums				
3 bedrooms	8	900	$76,000-$78,500	$25,932/yr.
2 bedrooms	32	800	$65,500-$69,000	$23,427/yr.
Non-profit rental				
Studios	18	350	$490/month	
1 bedroom	1	500	$490/month	
Total	71			

Long-term affordability:
The ownership units do not have mechanisms to ensure that units remain affordable in the long term. However, the Agreement of Purchase and Sale will include a requirement that if purchasers sell within a certain period of time, a certain proportion of the profit will revert to the sponsor group.

The non-profit units are expected to remain affordable over the long term, in accordance with the sponsor group's mandate.

Land acquisition:
The projects will occupy three properties. Two of these are owned by the Halifax Regional Municipality. The largest of the properties is vacant and is owned by a private company, Sobey Leased Property Limited.

The sponsor group (CGDA) is working with the City to arrange for the purchase of the sites. It hopes to acquire the City-owned sites for the cost of demolishing the existing buildings. The Province is expected to provide an interest-free loan to assist in the purchase of the Sobey property.

CGDA wants to be able to provide ownership housing on freehold ownership land. They are concerned that ownership on leased land would be a deterrent to potential purchasers, and hope to make the process of purchasing a dwelling as simple and user-friendly as possible. League Savings and Mortgage, the lender, has agreed to assist in this.

Financing:

Capital Cost	Land	Amount
6 3-bedroom semis	$48,000	$532,704
6 2-bedroom starters	$30,000	$416,844
4 3-bedroom condos (ground)	$24,000	$314,296
4 3–bedroom condos (upper)	$16,000	$303,420
16 2-bedroom condos (ground)	$72,000	$1,101,704
16 2-bedroom condos (upper)	$24,000	$1,048,960
19 non-profit rental	000	$545,910
71 housing units	$214,000	$4,264,838
Multi-purpose centre	$100,000	$2,197,500
Total	**$314,000**	**$6,462,338**

Source of Funds	Amount	Details
Resident equity		5% down–using high ratio mortgages
Sponsor equity		Volunteer time / Use of the City's offices/AHANS provided $5,000
Construction financing		League Savings and Mortgage is providing both construction and take-out financing through a mortgage at a single low rate
Municipal contribution/ concession		2 properties assessed at $413,000 plus tax receipt and land swap are *possible* to facilitate purchase of the Sobey property
Provincial contribution		5 Rent Supplement units, mortgage guarantee, and interest-free loan to enable purchase of the Sobey property
Federal contribution		PDF (up to $65,000-to be rolled over) and access to high ratio mortgage insurance (CMHC)

Role of sponsor:
The CGDA is the Developer and Project Manager. This sponsor group has demonstrated tremendous determination and commitment to this project. The Affordable Housing Association of Nova Scotia (AHANS) has worked on this project for five years, while the Black Community Work Group has been trying to develop its multi-purpose centre for eight years.

CGDA has been flexible and has had to find different ways of proceeding. They worked hard to develop a strong team and have assembled a professional development team of the highest calibre. They will be paid full fees and have been crucial in lending their support and reputations to the credibility of the initiative as a whole.

The Board is very active and the Executive meets once a week.

Another critical aspect is having one key person to act as the engine and keep the momentum of the project going at all times. The President, Grant Wanzel, is contributing all his time while on sabbatical leave from the Faculty of Architecture at Dalhousie University to make this project a go. He has met with many volunteers, community groups and churches to find potential purchasers.

Role of key players: (In alphabetical order except for sponsor group)

Name	Role	Benefit
Creighton/ Gerrish Development Association (Sponsor group)	• Serving as the developer & project manager • Metro Non-Profit Housing Association has charitable status	Each of the members is working together to provide: • Affordable ownership in the neighbourhood • Housing for low income single persons • A multi-purpose community centre
Affordability and Choice Today (ACT) AHANS	• Provided funding for study re feasibility and for detailed area planning exercise • Provided funding to develop the first proposal and development model	• Consistent with program objectives • Wanted to see the development of an affordable housing project in the absence of a non-profit housing supply program
Canada Mortgage and Housing Corporation	• The Centre for Public-Private Partnerships provided advice and proposal development funding • High ratio mortgage insurance program will help make it possible for families to purchase a unit	• Consistent with program objectives
Dalhousie University	• Recognizing the work of Grant Wanzel as an eligible project for his sabbatical, which means he can be paid as per a sabbatical	
Halifax Regional Municipality	Providing advice • Provide the 2 properties they own for the cost of demolishing the existing buildings • Facilitate transfer of land from Sobey's	• Supports the project • Will receive property taxes when the projects are developed

Name	Role	Benefit
Hardman Group	• Providing construction accounting • Handling all the money • Providing financial advice	• Wants to provide a socially responsible service • Will receive a fee
League Savings and Mortgage	• Will provide up to 1% reduction on the mortgage rate for home buyers and for all the components • Will provide interim financing as part of the mortgage • Providing financial advice	
Provincial Government	Planning to provide: • Loan guarantee for the non-profit housing project • Rent supplement assistance for five units • An interest-free loan to enable the purchase of the Sobey property.	
Savage-Stewart, Architects	Providing architectural services	• In the long run, they will be associated with a large, unique project that could enhance their reputation • Will receive a fee
Other	• Many other people have provided assistance and advice	

Reasons for success:

If this project succeeds, it will be as a result of:

1. Developing a strategy with the City and Province regarding acquiring the land .
2. Funding under CMHC sponsored programs. For example, proposal development funding encouraged the group to pursue the project and enabled them to undertake design work. The ACT grant enabled the group to develop a feasible plan.
3. Provincial government support to provide a mortgage guarantee, rent supplement assistance and an interest free loan to assist in the purchase of land is essential.
4. The CGDA's ability to assemble a highly credible and fully professional construction design and development team and seeking its advice in developing a credible proposal.

Other:

1. Sponsor group determination and commitment.
2. The background research and studies enhanced the credibility of the project and gave the sponsors more confidence in their project–financial and design feasibility have been tested since the project began.
3. The Black Community Work Group has helped the sponsor group learn more about the neighbourhood and is helping the people in the neighbourhood learn more about the project.
4. Meeting with small groups has helped the sponsor learn more about what people want and provides a good opportunity to address people's financial questions. These meetings are helping the sponsor develop a list of interested potential buyers. The enthusiasm of these people has also helped the sponsor maintain momentum.

Obstacles:

1. Not having any capital or equity.
2. Securing mortgage insurance for the non-profit housing project was a major obstacle that nearly stopped the project completely. The group was able to demonstrate 10% equity. This issue was resolved when the Province of Nova Scotia agreed to provide a loan guarantee, for a modest fee of 3%.
3. Many other obstacles, including the length of time it takes for each step. Starting over and over again is very difficult. Momentum is essential, but very difficult to maintain.

Management:

The Metro Non-Profit Housing Association will own and manage the 19-unit non-profit housing development. The condominium projects will be managed by the owners through the Board, and individual owners will be responsible for their ownership units. The multi-purpose centre will be owned and managed by the Black Community Work Group.

Operating costs and revenue:

(Not available)

Project/resident satisfaction:

It is too early to determine satisfaction with the project. However, reaction to date from the community has been very enthusiastic.

Support and buy-in from the different levels of government, the lender, and professional consultants is very encouraging.

Transferability:

Undertaking a comprehensive development initiative is complex and of limited transferability because of its scale, the number of players involved, and the degree of government support that may be required. If other groups are interested in this development approach it is recommended that they:

- Secure the services of the most qualified professionals to develop the strongest development team possible. The proposal should be believable, conservative, and achievable.
- Find land in a strategic location that can be available at a good price and is in an area where the people with a stake in the neighbourhood want change.
- Put together a comprehensive plan. Although a comprehensive proposal is difficult to achieve, it is essential in obtaining broad support. It provides many good reasons for others to support.
- Keep things as simple as possible.

Comments:

It is difficult for community-based groups to gain credibility as developers outside of government programs. Groups must build a track record of success. It is essential to build trust and confidence with all potential players.

Contact:

Grant Wanzel
C/o Harbour City Homes
2444 Barrington Street
Halifax, Nova Scotia B3K 2W9

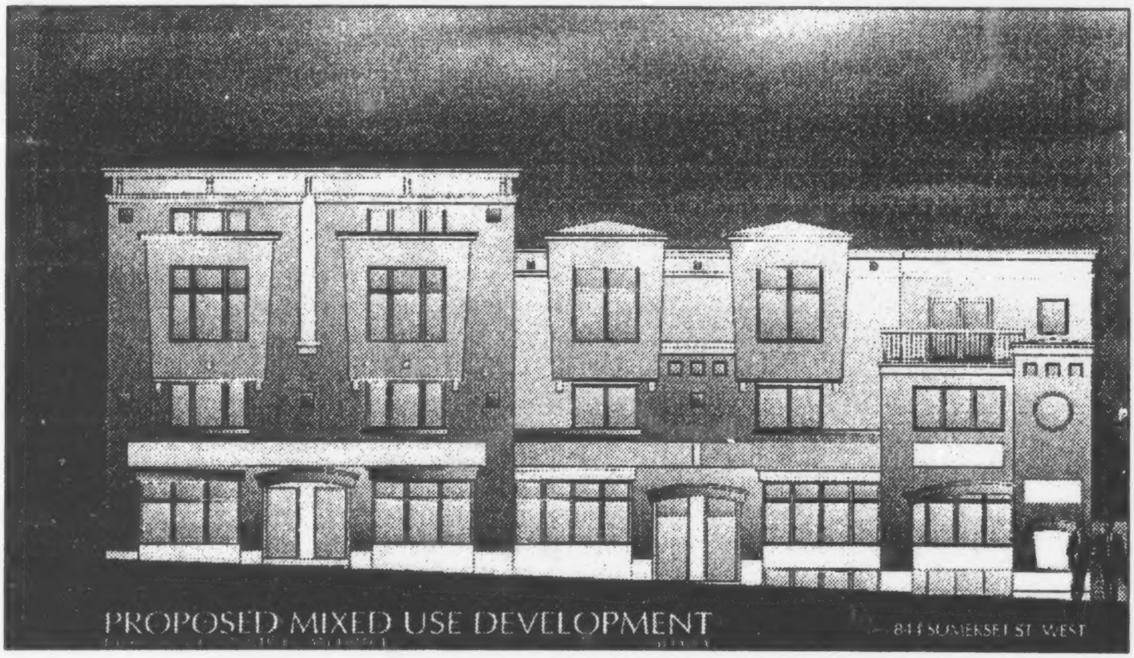
Phone: (902) 490-6279
Fax: (902) 490-6280

Guaranteed Equity Ownership

Somerset/Rochester

338-344 Somerset Street West
Ottawa, Ontario

Guaranteed Equity Ownership



Sponsor:	Centretown Affordable Housing Development Corp.
Goal:	To provide affordable housing for families between the 25th and 40th percentiles in the Ottawa-Carleton area (e.g. annual incomes of $25,000-$36,000) who have limited options on the private rental and ownership markets. These households may qualify for a modest rent subsidy in social housing and pay rents of $650-$900 per month for a unit. They may be paying more in the private rental market. An additional goal is to ensure that the housing will remain affordable over time and continue to serve the intended target group.
Impetus:	There is no more government funding for rental housing and yet there is still a great need. More than 12,000 households are on waiting lists for social housing and applicants can wait up to four years for a unit. The development of affordable housing without government programs, for families in the central area of downtown Ottawa, is a logical extension of the sponsor group's mandate.

Project a at glance	
Model	Guaranteed equity ownership
Sponsor name	Centretown Affordable Housing Development Corp. (CAHDCO) (sister organization to Centretown Citizens Ottawa Corp. (CCOC))
Client group	Families with children
Land tenure	Freehold strata title
Unit tenure	Right-to occupy lease agreement
Reasons for success	1. Guaranteed equity model 2. Partnership with commercial developer 3. Sponsor perseverance 4. Freehold strata title
Housing form	Townhouses and apartments above commercial space
Income level	Moderate income
Location	Ottawa, Ontario
# units	12
Status	Occupancy scheduled for Spring 1999

Market conditions:

The market was sluggish with low interest rates. In 1996, CCOC commissioned a survey of its tenants and applicants to determine the level of interest in affordable tenure options and to identify housing characteristics that would be attractive to these households. The study indicated that a large majority would be interested in a housing project with the following characteristics:

- Townhouse or stacked townhouse built form;
- Guaranteed equity tenure or shared equity financing;
- A low (5%) down payment'
- Located in the central area of Ottawa; and
- Ample storage, amenity, kitchen and parking space.

Model employed:

The development model involves several key features.

1. Ownership
   A decision was made to develop ownership housing instead of rental because:
   - Costs to administer rental housing are high;
   - Property taxes for rental housing are much higher than for ownership (double);
   - Maintenance costs for ownership are lower since owners are responsible for their own units; and
   - The down payment assists the developer with financing.

2. Guaranteed equity
   Guaranteed equity tenure gives owners rights equivalent to condominium ownership but there are restrictions on resale and a guaranteed return on the equity investment. A leasehold is used to provide the owner with a "right-to-occupy" the unit and ensure the enforceability of the limitations on resale. Units cannot be sold on the private market. An owner who wants to sell must relinquish the "right-to-occupy" to the sponsor group (CAHDCO). In return, CAHDCO guarantees a buy-back price. Long-term affordability is achieved through lease conditions that give the non-profit sponsor greater control than if the unit were freehold ownership.

3. Freehold strata title
   A third aspect of this model is an attempt to subdivide the units by means of freehold strata title instead of setting up a condominium corporation under the Ontario Condominium Act. This would avoid the complexity, cost and time involved with registering a condominium. In Ottawa, the legal and registration fees for a 20-unit condominium project can easily amount to $20,000. Final registration can easily take four months. This results in complications and delays in switching from construction financing to individual mortgages.

In addition, the legally required condominium corporate structure is ill-suited for mixed use projects. It is restrictive and often the interests of minority partners are ignored. The management model imposed under the Ontario Condominium Act can also be overly cumbersome for smaller projects.

It should be noted that CCOC has not yet secured municipal approval for freehold strata title. An official plan amendment is required to give the Committee of Adjustments direction to allow for this form of tenure.

4. Sweat equity
CAHDCO hopes to incorporate a self-help initiative where prospective homeowners would work with the owner and builder. This would help to reduce construction costs and give owners some skills to assist them in maintaining their unit. The work would occur primarily during the finishing stage of construction. It is hoped that this aspect of the development will reduce construction costs by 5-10%.

Building characteristics:
This will be a mixed use development involving new construction to produce 10 three-bedroom townhouse (row) units and two apartments on top of the commercial space. There will be a landscaped courtyard, bicycle room, and in-suite laundry hook-ups.

Unit Type	No. of Units	Size (sq. ft.)
3 Bed townhouses	10	1,200-1,350
3 Bed apartments	2	1,100
Total	12	

Residents served:
This development is targeted to families with children.

Affordability:
Cost projections to date show that it should be possible to serve families who have a combined household income of below $36,000 per annum (the 40th income percentile).

Unit Type	No. of Units	Purchase price	Affordability	Comparable market price
3 Bed townhouses	10	$104,000	$37,729/yr.	$115,000 - 120,000
3 Bed apartments	2	$85,000	$32,945/yr.	$100,000
Total	12			

Projected purchase prices are set out below. It is estimated that these would be at least 10% to 15% below comparable units in the same location offered on the private market.

Residents would be able to contribute a 5% down payment for their unit. With 5% down the three bedroom apartments are affordable to households with an income of $32,945/yr., which is slightly above the low income cut-off of $32,800 for Ottawa. In addition, plans are underway to provide an opportunity for purchasers to contribute sweat equity to the project, which could amount to another 2.5% to 5% of the capital cost.

Long term affordability:

A key objective of this project is to ensure that units remain affordable over the long term. Under the proposed guaranteed equity model described above, purchasers would have an opportunity to build some equity. However, upon resale, the resident must sell their interest in the unit back to the sponsor group at a guaranteed "buy-back" price.

Land acquisition:

The land is currently owned by the commercial developer. It will be jointly owned by the commercial developer and CAHDCO upon completion.

Financing:

The capital budget is set out below.

Capital Cost	Amount
Land costs Purchase price, transfer tax, legal fees municipal levies, surveys, soil tests, appraisals	$179,250
Construction New residential construction, appliances, furnishings, landscaping	$828,000
Fees and charges Taxes and insurance during construction, consultant fees and disbursements, legal fees, administration costs, interest during construction, building permit	$111,974
Other Contingency, warranty, profit, marketing, GST	$105,000
Total	**$1,224,224**

The following sources of funds have been identified to date:

Source of Funds	Amount	Details	Share of Funds
resident equity	$60,000	$10,000 has been provided and another $40,000 is expected once CMHC's environmental site assessment objectives are achieved	5%
sponsor equity	$60,000	Down payment	6%
donations	$2,000	Home Depot—materials for sweat equity	2%
Construction financing	$828,000		82.8%
take-out financing			
municipal contribution/ concession	$15,000	$10,000 for focus group study and $5,000 for consultant's costs	1.5%
sweat equity	$45,000	An average of $2,500-$5,000 is estimated	4.5%
Total	**$1,000.000**		**100%**

Role of sponsor:
CAHDCO plans to enter into a partnership with the owner of the site to develop the residential portion of the project.

Role of key players: (In alphabetical order except for sponsor)

Name	Role	Benefit
CAHDCO (Sponsor group)	• Developer	• Mandate to build affordable housing • Needed a site
Canada Mortgage and Housing Corporation	• Provided proposal development funding	• Affordable housing mandate
City of Ottawa	• Provided a loan to assist with development costs through its Innovative Housing Loan Fund. Also contributed some funding for the market survey.	• Consistent with program objective to provide short- term, no interest loans in support of innovative affordable housing development
Commercial developer	• Owns the land	• Will own the commercial portion of the building • Needs the residential component to build the commercial space because of zoning requirements
Homegrown Solutions (CMHC)	• Provided funding to research sweat equity options • Financial guarantee in case the market	• Affordable housing mandate
Another party willing to guarantee the buy-back (for the 1st few years)	falls and the sponsor does not have sufficient funds to be able to pay back the guaranteed price	• Support affordable housing
Affordability and Choice today (ACT) Program CMHC	• May provide funding to research the issue of strata title	• Consistent with program objectives

Reasons for success:
If this project proceeds, it will be as a result of the following:

1. Guaranteed equity model.
2. Partnership with the commercial developer is necessary because the property is zoned for mixed use.
3. Perseverance and expertise of the sponsor group.
4. Freehold strata tenure.
5. Funding received from CMHC for PDF loan, Homegrown Solutions, ACT, and City of Ottawa.
6. The owner and architect met with the community association. They received much input from the community on design and site plan issues, and this helped build support for the project.
7. CAHDCO learned about this potential site after reading a story about the above noted meeting in a community newspaper.

Obstacles:

1. This is a complicated development because the sponsor groups wants to use freehold strata title ownership, which is a form of ownership not used in Ontario. At the same time, the use of freehold strata title will be key to developing the property with the commercial owner. Freehold strata title will enable the commercial owner to buy, sell and finance his property separately from the residential component.

2. For the local committee of adjustment to approve a consent application to allow freehold strata title, the City's Official Plan must first be amended.

3. Financing:

- CMHC premiums for high ratio mortgages, currently 3.75%, are seen as an impediment to development. The fee increases monthly payments and narrows the pool of potential purchasers.
- GST is 7% for leasehold compared to 4.2% for freehold.
- Difficulty in obtaining construction financing at a low rate.

Management:
The homeowners will form a committee or Board to manage the development. For the first year at least, CCOC will be responsible for providing property management/maintenance services. CCOC has experience in managing residential/commercial joint venture projects. After the first year, the homeowners could decide to select a different management company. CAHDCO will have an ongoing role in administering the buying and selling of units under the guaranteed equity model.

Operating costs and revenue:
Not available

Project/resident satisfaction:
The marketing study indicated strong support for this type of project by families in the target income group.

Transferability:
The guaranteed equity model is transferable and can work well for groups with an established administrative structure. This structure is necessary to deal with resales. The model also requires an agency willing to guarantee the buy-back of units–for the initial few years. It should be possible to find such an agency because the risk is expected to be minimal. Low initial purchase prices can help reduce risks associated with the guaranteed buy-back.

The mixed use component of this project is also transferable because this form of development is typical and often encouraged in urban areas. The ability to use freehold strata title would be a benefit.

Contact:
Dennis Carr, Development Co-ordinator
Centretown Affordable Housing
Development Corporation
P.O. Box 2787 Station D
Ottawa, Ontario K1P 5W8
Phone: (613) 235-2408 ext. 229
Fax: (613) 235-4026

Strata Title Equity Co-operative

Moral Imperative

6712-112th Street
Edmonton, Alberta

Strata Title Equity Co-operative

Sponsor: Moral Imperative Strata Title Housing Co-operative Ltd.

Goal: To supply affordable, secure housing in a supportive community. To provide residents with an opportunity to build equity through a form of home ownership.

Impetus: A group of friends with a desire for co-operative living, saw a suitable apartment building for sale.

Market conditions:

Real estate prices were affordable and generally stable. Interest rates were low.

Model employed:

The project is a strata titled equity co- operative that combines the best aspects of a co-operative and condominium. However, it differs from both the traditional single mortgage co-operative and traditional condominium in that a strata titled equity co- operative allows for individual mortgages and does not have any specific governance requirements, as does the condominium. This is accomplished by a three dimensional subdivision or the ability to create air space titles. At the moment equity co-ops cost more to register than a condominium.

This model was selected because it:
- promotes cooperation; and
- individual units are separate, so financial needs can vary.

This model assists with affordability because:
- units are purchased at cost;
- it is user controlled;
- a pool of capital can provide assistance if people need it;
- a cap may be placed on the resale price of the unit to maintain affordability on resale the pool of capital can be replenished;
- this pool of capital can be used for new projects; and
- the Co-op has the option to purchase unit if necessary to maintain control of the community, for example, to prevent speculation by investors.

Project a at glance	
Model	Strata title equity co-op
Sponsor name	Moral Imperative Strata Title Housing Co-operative Ltd. (residents)
Client group	Young singles, artists
Land tenure	Ownership
Unit tenure	Strata title equity co-op
Reasons for success	Strata title model Individual high ratio mortgages Acquisition of reasonably priced building Member commitment
Housing form	Low rise apartment
Income level	Low income
Location	Edmonton, Alberta
# units	6

The co-operative must approve new purchasers. This project was the second strata titled equity co-operative in Alberta.

Building characteristics:

The building consists of a six-unit post-war three storey walk-up apartment building located in a mature neighbourhood on a large site. It is situated on a quiet tree lined street, across from an elementary school and near public transit. The Moral Imperative Co-operative is one of three similar buildings on the block. It was purchased by future residents through a simple financial transaction and converted to an equity co-operative. The unique feature is the tenure selected by the members; a strata titled equity co-operative.

These are traditional apartment units with hardwood floors and cove ceilings, ranging in size from 650 to 850 square feet. Limited amenities consist of a garden and parking facilities. There are no other uses on the site. The building was occupied in the fall and winter of 1992-1993.

Unit Type	No. of Units	Size (sq. ft.)
1 Bedroom	2	650
2 Bedroom	4	850
Total	**6**	

Prospective co-op members approached existing tenants to see if they wanted to buy a unit, but none chose to do so.

Residents served:

The initial residents were young single persons, with no children at the time the project went ahead. Many were artists, waiters/resses and filmmakers earning under $25,000 per year.

Affordability:

The monthly housing cost for a two-bedroom unit is $500/month. This includes a mortgage payment of $300/month and a co-operative fee of $200/month. The two bedroom units are affordable to households earning $20,000/yr. or more, well below the low income cut-off of $32,800 for Edmonton families. The average appraisal for all units was $51,700/unit, compared to an average price of $45,000/unit.

Long-term affordability:

There is no mechanism protecting long-term affordability in this equity co-operative (but this is a feature of some other equity co-operatives). Moral Imperative members have decided not to cap the resale price, as one of their objectives is to realize some equity in their home. It is up to individual members to negotiate a price with prospective purchasers.

Land acquisition:

The co-operative purchased the land and building at market value.

Financing:

The financial transaction was fairly simple. It involved purchase of the property and payment of some professional fees for surveys and appraisals. Initial group members pooled together to pay a deposit of $10,000 to hold the property.

Capital Cost (actual)	Amount
Land and building	$270,000
Soft costs	$20,000
Total	**$290,000**

Each co-op member buys a share in the co-op worth $2000 that is refundable upon leaving. This creates a pool of capital, which acts as working capital to be used by the co-op as needed.

Each unit was individually financed with 5% down and a 95% NHA insured first homeowner mortgage loan. In some cases, parents cosigned the loan. Members found banks and credit unions unwilling to supply the mortgage funds for this project perhaps because this type of tenure was unfamiliar. They eventually found one bank, the Bank of Montreal, that was willing and all mortgages were obtained there, requiring only one appraisal.

Unit Type	Low Income units (#)	Purchase price	Affordability
1 bedroom unit	2	$35,000	$17,400/yr.
2 bedroom unit	4	$50,000	$20,000/yr.

Role of sponsor:

Members of the Moral Imperative Housing Co-operative were involved from the outset. The project required many meetings and decisions however co-op members feel that this process was beneficial as it enabled them to get to know one another before moving in. One of the roles of the co-op members was to set up the co-op's initial by-laws and policies.

Role of key players:

The resource group Communitas acted as the co-op's consultant, helping the co-op select the preferred model, perform financial analyses, liase with financial institutions, and assist with incorporation. Communitas also held the property through a limited company while the group incorporated. For these services, the resource group received a fee.

Reasons for success:

Strata title provisions which allow financing of individual units.
Individual high ratio mortgages.
Purchase of existing building at reasonable price.
Co-op members' commitment.

A couple of things would have made the process easier.

1. Access to revolving development funding would have helped. Resource groups need to work with group members for a long time (8 to 15 months) before funds become available.
2. If municipalities want to encourage this type of project, they could find a way to reduce subdivision costs for strata titled co-operatives to the equivalent of a condominium project.

Obstacles:

Group members found the amount of paperwork required to be onerous and frustrating. There was a lengthy delay for incorporation due to unfamiliarity with this tenure. However, this is not expected to be an ongoing issue. Finding a lender willing to provide the mortgages was also a challenge.

Management:

The Moral Imperative Strata Title Housing Co-operative Ltd. manages the co-op using a consensus decision-making model. Three members sit on the Board. As a small co-op, the members occasionally find themselves in a difficult situation if for example, a couple of members are away. Quorum is difficult to obtain and the remaining members must assume all responsibilities.

Operating costs and revenue:

Communitas prepared the operating budget for the co-op's first year of operation. The group tried to keep fees low by carrying out some of the work themselves such as landscaping. Each member pays $200/month for co-operative fees, which cover property taxes, administration fees, insurance, utilities, maintenance and replacement reserves.

Resident satisfaction:

Residents have been living there for five years now. The two residents interviewed are extremely satisfied; not only with the physical space they have acquired but also with the community they have created. Residents refer to others in the co-op as replacement family.

Transferability:

The strata title equity co-operative model is considered transferable only in those jurisdictions with supporting legislation. A review of provincial land title acts is necessary in order to assess the extent to which this model can be applied elsewhere. In Alberta, strata title co-operatives are becoming more common and groups initiating the process now likely wouldn't find the process as time consuming. There is a greater level of awareness of strata titles among the legal and financial community now. Co-op members feel it would be easier for the next group to accomplish the same thing.

The strategy whereby an existing building is purchased and subdivided and paid for entirely by owners equity and mortgages would only be affordable without subsidy in real estate markets where housing prices are not expensive. This excludes some markets like Vancouver, Victoria and Toronto.

Comments:

These Co-op members are considering expanding by buying the building next door, and incorporating it as part of the Moral Imperative Co-op. Part of the reason for this is that there have been inquiries from others interested in participating in this type of project and lifestyle. Also, expansion would confer benefits upon existing Co-op members as it would increase the resources available to the group, both in terms of members and financial resources.

Contact:

Lynn Hannley, Managing Director
Communitas Group Ltd.
200-12120 106th St.
Edmonton, Alberta

Phone: (403) 482-5467
Fax: (403) 488-5102
Email: coopdev@freenet.edmonton.ab.ca

Rental Co-op

Bluestem Housing Co-operative *Rental Co-op*

708 Jessie Avenue
Winnipeg, Manitoba

Sponsor: Bluestem Housing Co-op

Goal: To create high quality affordable housing in a democratic community. To have some degree of ownership and control without all the obligations of homeownership. To create a community environment.

Impetus: Three families initiated the project. An opportunity arose to buy a suitable building.

Market conditions:

A good supply of reasonably priced housing. The real estate market in Winnipeg was generally flat.

Model employed:

This project is set up as a rental co- operative. Each suite purchases 500 shares at $1/share (a total of 3000 shares). If a member wants to leave the Co-op, they must sell their 500 shares back to the Co-op and they will receive their original $500 in return.

Building Characteristics:

Purchase of a six-unit three-story walk-up apartment building requiring no renovations. Built in 1914, the building consists of suites each under 900 sq. ft. with laundry facilities, garden, parking lot and basement. There are no common areas at present, but the Co-op has plans to develop some in the future. The project required only six months from concept to purchase.

Residents served:

Young families with household incomes generally under $35,000 per year. Most residents were university students at the time.

Affordability:

At present, these units are affordable to households earning $18,600 per annum or more, well below the low income threshold of $32,800/yr. for a family of four in Winnipeg.

Project a at glance	
Model	Rental co-op
Sponsor name	Bluestem Housing Co-op
Client group	Young families
Land tenure	Ownership
Unit tenure	Co-operative
Reasons for success	Affordable financing Acquisition of reasonably priced building Member participation keeps operating costs down Sponsor determination
Housing form	Low rise apartment
Income level	Low income
Location	Winnipeg, Manitoba
# units	6
Status	Occupied

Long-term affordability:

Affordability is protected over time because the co-op controls the equity. Individual co-op members will not benefit from appreciation of real estate. Housing charges could come down over time, enabling the project to become even more affordable.

Land acquisition:

Co-operative owns the land and building. Purchased from a private owner.

Unit Type	No. of units	Size (sq. ft.)	Low Income rent	Affordability	Comparable market rent
2 Bedroom	6	900	$465	$18,600/yr.	$500-525
Total	**6**				

Financing:

Costs were limited to the purchase price of land and building. Some donated services such as building inspection, etc. helped to reduce expenses.

Capital Cost (actual)	**Amount**
Acquisition of Building	$140,000
Soft costs	
• Professional fees	$1,000
Total	**$141,000**

Financing the purchase involved three types of affordable financing: no interest loans from prospective members (as equity); a 1st mortgage from a financial institution; and a private 2nd mortgage from an individual. The latter two are at the same interest rate. The co-op was able to put 35% down in this way and avoid the need for mortgage insurance.

The members had to shop around to find a good mortgage deal with a local credit union. The previous owner had a credit union mortgage so the credit union gave them a slight reduction in interest rates. The terms for both loans are 20-year amortization, 5-year term, at the same rate of interest. The 2nd mortgage is also registered on title.

Co-op members were responsible for the entire project, including the concept, market research, real estate purchase, business planning, and financing. Upon occupancy, co-op members are responsible for managing the co-op and maintenance.

Reasons for success:

1. Affordable financing.
2. Reasonably priced, good quality building.
3. Membership participation to keep operating costs down.
4. Sense of community and determination.

It would have been more successful if the co-op could obtain a mortgage with 10% down; a no strings attached mortgage guarantee and if financial institutions were more helpful.

Obstacles:

1. It was difficult to obtain financing at reasonable terms. For example, most banks required a 35% down payment for the mortgage instead of 25% down for individuals.
2. The group believes that the CMHC requirements for mortgage insurance are expensive and onerous–a 2% fee and $125 per suite (non-refundable) in order to reduce downpayment.

Management:

Bluestem is run by co-op members—six people are on the Board of Directors. Members alternate the positions of president, secretary, and treasurer. A consensus decision-making model is employed. Weekly meetings were held when the co-op was being established but are no longer necessary. Now the Board and various committees meet once a month. There are several committees such as maintenance, finance, gardening and social.

Operating costs and revenue:

The co-op receives additional income from rental of parking spaces and interest payments. Co-op members are responsible for most maintenance. Maintenance and taxes are included in the monthly rental payments.

Resident satisfaction:
Co-op members are very satisfied with their housing from the point of view of affordability, location, amenities, design, density, management and tenure.

Transferability:
This model is considered transferable. The combination of affordable financing and a reasonable purchase price is transferable in areas where market prices are relatively low, or where other means, such as donations, can be used to reduce overall costs. However, this would be more challenging. Members need some equity for down-payment. In this case the downpayment was achieved by interest free loans to the co-op, and a 2nd mortgage from a private individual. This latter element might be difficult to find, although dedicated funds could be used (see comments). Consultation with financial institutions about the availability of affordable financing for non-profit groups, identification of sources of private financing, and establishment of more dedicated funds would assist in ensuring transferability.

Comments:
Bluestem Co-op members are interested in finding ways of assisting others to replicate this type of housing. They note that Assiniboine Credit Union in Winnipeg is in the process of developing a community development fund that could be used as a source of affordable 2nd mortgages or seed capital for similar projects. One of the options being explored is for the credit union to sell shares in the fund at a low rate of interest to create a pool of capital.

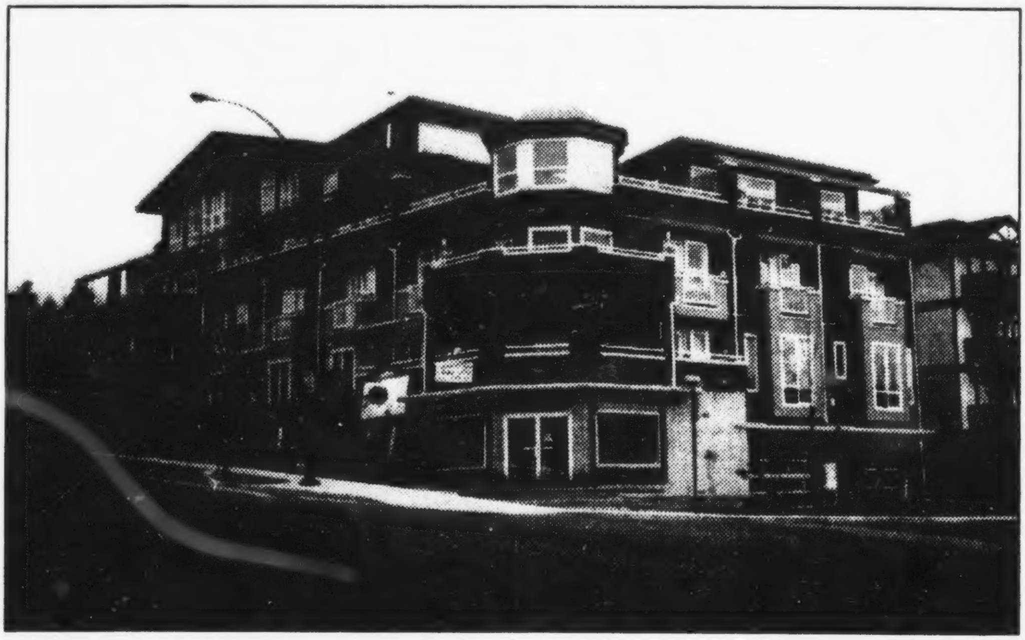
Contact:
Kernial Aasland,
Blue Stem Housing Co-operative
4-708 Jessie Ave.
Winnipeg, Manitoba R3M 1A5

Phone: (204) 452-2367
Fax: (204) 783-7080

Co-housing

Quayside Village *Co-housing*

500-524 Chesterfield Avenue
North Vancouver, B.C.



Sponsor:	Quayside Village CoHousing Ltd.
Goal:	The Quayside Village CoHousing Ltd. 1995 mission statement states that they intend to create a co-housing community in the Lower Lonsdale area of North Vancouver that is safe, friendly, affordable and accessible to everyone in the community, and is environmentally sustainable.
Impetus:	A call from a land owner with a site for sale prompted a group of individuals living in North Vancouver who were committed to the co-housing idea to begin the process of developing Quayside Village.

Market conditions:

Prices were relatively high when the group purchased the land. However, City concessions made the site viable from an economic point of view. Pricing of units for sale was at the high end of market and they have generally been selling for the asking price.

Model employed:

Residents selected the co-housing model for philosophical reasons: the belief that this is the best way for people to relate to each other and to the land. The model helps to achieve affordability in several ways:

- allows members to subsidize below market units;
- homes are generally smaller because of the common areas;
- day-to-day expenses are reduced because they are shared for example, laundry facilities and gardening tools;
- maintenance costs are reduced because tasks are carried out by members;

Project a at glance	
Model	Co-housing
Sponsor name	Quayside Village CoHousing Ltd.
Client group	Mix
Land tenure	Ownership
Unit tenure	Strata title ownership
Reasons for success	1. Density bonus 2. Internal rent supplement/ subsidy 3. Resident equity 4. Builder and resource group skills 5. Member commitment 6. Residents assume risk as developer
Housing form	Townhouses and apartments
Income level	Moderate income
Location	North Vancouver, B.C.
# units	19 residential, 1 commercial
Status	Occupied June 1998

- shared services are common such as carpooling and co-operative child care (they are considered a shared vehicle); and
- changes in lifestyle–new friends are close-by.

Building characteristics:

The project is located in the Lower Lonsdale area of the City of North Vancouver, at Chesterfield and 5th Avenue. Quayside Village will consist of 19 residential units and one commercial space. The planning phase to occupancy took approximately 2.5 years.

Each home has been designed by members of Quayside Village to provide a balance between privacy and community. Homes range in size from bachelor suites to three bedroom units and consist of apartments and townhome type units. Every unit has a fully equipped kitchen, full bathroom, living room with gas fireplace, and access to outdoor spaces either in the form of a yard, deck or balcony. Homes are connected by covered outdoor galleries. Underground parking is included. Incorporated City of North Vancouver adaptable design guidelines in the rental unit and common area.

Unit Type	**No. of Units**	**Size (sq. ft.)**
Bachelor	1	429
1 Bedroom	5	555-643
2 Bed + den	3	660-728
2 Bedroom	5	739-915
2 Bed + den	1	862
3 Bedroom	4	1,028-1,090
Total	**19**	

The commercial space is located on the ground floor and consists of 600 sq. ft., suitable for a retail store, small business or professional office.

The 2500 sq. ft. of common area includes the common house, the urban courtyard, the third level deck and reading room, and outdoor pathways comprising about 2500 sq. ft.

The common house contains a kitchen and dining area where members may share meals, a lounge with central hearth, a playroom, washroom, laundry and craft area, a guest suite and office.

The courtyard is designed in a child-friendly manner, with unique landscaping features such as hardy native shrubs, berry bushes, edible landscaping, kitchen gardens, water features and trellised vines to the upper level of the building. The third level deck has a panoramic view of downtown Vancouver and an eight-sided reading room.

The project incorporates several unique environmental features. It is being constructed to standards set by BC Hydro's Powersmart Program and the BC Gas Energy Efficiency Program. In addition, CMHC has sponsored the installation of the first multi-family gray water recycling system in Canada. Water produced by this system meets Canada's Drinking Water Standards. Materials from the original site buildings have been recycled for use in the project. Flooring, doors and stained glass windows have all been incorporated in the common areas. North Vancouver City Accessibility Guidelines have been incorporated in the design of Quayside Village as well.

Residents served:

Quayside Village is designed to be home to a diverse range of residents, household types and family incomes. There is no membership committee to select prospective residents. It is up to the individual to decide if he or she wants to live there.

Affordability:

Members have chosen to implement their own Affordability Program. Five units of the total 19 units will be more affordable units, with four of these being sold at 20% to 25% below market rates and one unit available for rent at below market rental rates. The purchase and rental of these units are subject to the Affordability Guidelines of Homes BC. Households must qualify for these units by meeting gross annual income targets and indicating their willingness to participate in the community. Owners and renters of these units will become equal and non-discriminated members of the Quayside Village community and the affordable units are to remain affordable in perpetuity. The below market two bedroom unit sells for $147,000 which is affordable to those with a household income of $41,561/yr. or more, above the low income cutoff income of $32,800/yr. for a family of four in Vancouver.

The remaining 14 residential units are sold at market value, but with the recognition that the common areas are a bonus. Prices for market units range from about $130,000 to $230,000. A market two bedroom units sells for $212,000 which is affordable to moderate income households earning at least $57,066/yr.

Unit Type	Below market units (#)	Below market rent/price	Afford-ability	Moderate income units (#)	Moderate income price (000)	Afford-ability	Comparable market price (000)
Bachelor	1	$84,000		0			
1 Bedroom				5	$133-154		$133-154
1 Bed + den				3	$185 -190		
2 Bedroom	3	$147,000 x 2 $840/mo. x 1	$41,561/yr. $33,600/yr.	2	$212	$57,066	$212
2 Bed + den				1	$225		
3 Bedroom	1	$187,000		3	$230		$230
Total	**5**			**14**			

Long-term affordability:

Long-term affordability is assured by means of a housing agreement which is registered with the City. This dictates the maximum income levels and pricing for the five affordable units. This was required to achieve a density bonus of two units from the City of North Vancouver and to preserve these units' affordability over time. It also requires that Quayside Village enter into agreements with potential purchasers requiring them to allow the co-housing group to have an Option to Purchase the property if purchasers do not live up to their obligations and the right of first refusal.

Land acquisition:

Several members of the group acquired the site at market value. The land is owned by Quayside Village CoHousing Ltd. Many of the co-housing members sold their existing homes or took out a line of credit on existing homes to finance the purchase of the land.

Financing:
The following table shows the project budgeted costs as of October 1997. Eight households contributed equity in the amount of $150,000 each for a total of $1.2 million to purchase the land. Called secondary investors, these households receive a reduction in the purchase price of their unit equivalent to an agreed upon rate of return. This helped with affordability as purchasers of the discounted units paid less GST upon the purchase of their new unit. A mortgage of $2.3 million financed the remainder of the capital costs.

Several tools or techniques were employed to reduce costs and enhance affordability. A key factor was the formal density bonus of 10% granted by the municipality in exchange for affordable housing units. Two additional units were obtained in this way. A related factor was the municipality's willingness to discount the common area floor space, which is essential to the co- housing concept but unworkable financially if included in floor space calculations. Total concessions amounted to about a 20% density bonus. The developer estimates that this density bonus contributed about 60% to 70% of the ability to create affordable units. The group also chose to design the homes at Quayside Village slightly smaller than conventional condominium and townhouse developments (typical 2 bedroom condo 800-900 sq. ft, while Quayside 740-780 sq. ft.). Instead they opted for larger common areas to which all members have unlimited access. Residents acted as their own developer, thereby eliminating the profits usually accruing to a developer. The contractor charged a lower than average management fee in exchange for avoiding the risk usually associated with new development. Quayside members avoided mortgage insurance fees by incorporating as a developer and seeking a lender willing to grant them an uninsured mortgage. Another benefit of incorporation is that they were charged regular banking and legal fees, as opposed to the higher fees typically charges to non-profit groups. The group received a donation in kind from VanCity Enterprises in the form of a housing agreement valued at $50,000. There were no provincial contributions. CMHC funded the gray water recycling system. The commercial unit is not expected to subsidize the residential units.

Capital Cost	**Amount**
Land	$1,120,000
Construction	$1,474,511
Soft costs	
• Professional fees	$203,750
• Management fees	$147,000
• Municipal fees	$40,425
• Interest costs	$267,247
• Marketing	$7,166
• Insurance	$7,350
Common house furnishings	$45,938
Taxes	
• Property taxes	$7,350
• Transfer taxes (PPT)	$19,400
• GST (incl. in costs)	
Misc.	$7,350
Contingency	$152,513
Total	**$3,500,000**

The following sources of funds were employed to finance the project.

Source of Funds	Amount	Details	Share of Funds
resident equity	$1,200,000	Eight member households	34%
donations		VanCity Enterprises donated a housing agreement worth $50,000	
Construction loan	$2,300,000	North Shore Credit Union @ 7%	66%
take-out financing		VanCity Credit Union	
gray water recycling/		CMHC funded	
Total	**$3,500,000**		**100%**

Role of sponsor:

The group formed a limited company to build the project and is planning to retain that status to manage the rental unit(s). Quayside Village CoHousing Ltd. members were responsible for planning, designing, building, marketing, and operating the project. They contributed equity, assumed the risk of being a developer, created the affordable housing program and will act as property managers. The result is the creation of a mixed, affordable community. The benefits of the affordable housing program are that the less desirable units sold first.

Role of key players:

The following table summarizes the role of the key players in alphabetical order, with the sponsor described first.

Name	Role	Benefit
Quayside Village CoHousing Ltd. (sponsor)	• Planning, designing, building, marketing and operating the project • Contributed equity, assumed risk, and created affordable housing program	• Less desirable units were designated as affordable and sold first. • Created desired community
Artian , Contractors Builder	• Developed and managed project for a reduced fee	• Guaranteed fee • No risk
Community Dream Creators (consultant)	• Initiated purchase of site • Facilitate process of teaching group to become developers and property managers	• Fee • Recognition for first project
City of North Vancouver	• 2 grants of $1500 to conduct community education • Density bonus of two units • Support and advice	• Example of healthy community • First application of adaptable design guidelines • affordable housing
CMHC	• Gray water recycling system	• demonstration project/research

Reasons for success:

1. Municipal density bonus and flexibility in discounting common space.
2. Internal rent supplement/subsidy to house low income households.
3. Residents contributed equity to the project.
4. Developer/contractor skilled at making difficult projects work and charged lower fee. Dedicated resource group/consultant.
5. Members' huge commitment of time and effort.
6. Group members assumed financial risk by acting as developers.

The following factors would have contributed further to the economic viability of project:

1. More experience in developing co-housing would reduce the length of time it takes to develop such projects, and consequently, the costs involved.
2. Less customization in the units (design, finishing etc).

Obstacles:

The biggest obstacle to overcome in developing co-housing is finding enough prospective members willing to take the risk to develop their own housing. In addition, finding a builder and obtaining mortgage financing was a problem for the first co-housing project in the Lower Mainland, WindSong. Builders and lenders were wary of this relatively unknown housing model. Another obstacle was the length of time required to negotiate the development approval process.

Operating costs and revenue:

The group has not yet developed its operating budget.

Management:

The members of the community, on a consensus basis will manage Quayside Village. Renters and children are also eligible to participate in decision making. The members will carry out property management and monthly maintenance fees will be less than conventional strata projects as a result. A common feature of co-housing developments is shared meals. Residents will be welcome to join in communal meals supplied and prepared by other residents a few times a week, if they desire. In addition, one member of the community is planning to operate a family day care.

Project satisfaction:

As the decision-makers for all aspects of Quayside Village, future residents are very satisfied with the new community. There is concern that there may be too much parking for this kind of housing project where residents are environmentally concerned and with its Lower Lonsdale location close to all kinds of urban amenities.

The project meets many social objectives of the City of North Vancouver including affordable housing, mixed uses, adaptable design, and community development. Council and staff were very supportive of the project and would like to see others of a similar nature. As the first application of the City's adaptable design guidelines Quayside Village enabled City staff to learn from this experience. Although these concepts were not applied throughout the project due to some constraints, the City is hoping to use Quayside Village as an example of some adaptable design features.

Transferability:

Co-housing projects are being developed all over the world. The key factors essential for the success of this project are the density bonus/municipal flexibility to bring the project to low end of market, and the rent supplement/subsidy supplied by the residents' affordability program to make some units affordable to low income households. Both tools are considered to be transferable. Density bonuses have been employed elsewhere. However, there are no other known examples of internal rent supplements/subsidies. The density bonus requires a suitable real estate market and municipal support while the internal rent supplement requires resident willingness.

This model requires municipal concessions to accommodate the extra floor space devoted to the common area. Otherwise, the common areas make it hard to bring co-housing projects in at even at market prices. They also typically require an equity contribution of about 15% to 20% of project cost by co-housing members.

Comments:

The builder was nominated for the VanCity Ethics in Action award for this project.

Strong community support was received for the project both from neighbouring community associations and City Council and staff. The consultant held early meetings with community groups to inform and educate about project.

Contact:
Alan Carpenter,
Coordinator, Canadian CoHousing Network
Partner, Community Dream Creators
27-20543 96th Avenue
Langley, B.C. V1M 3W3

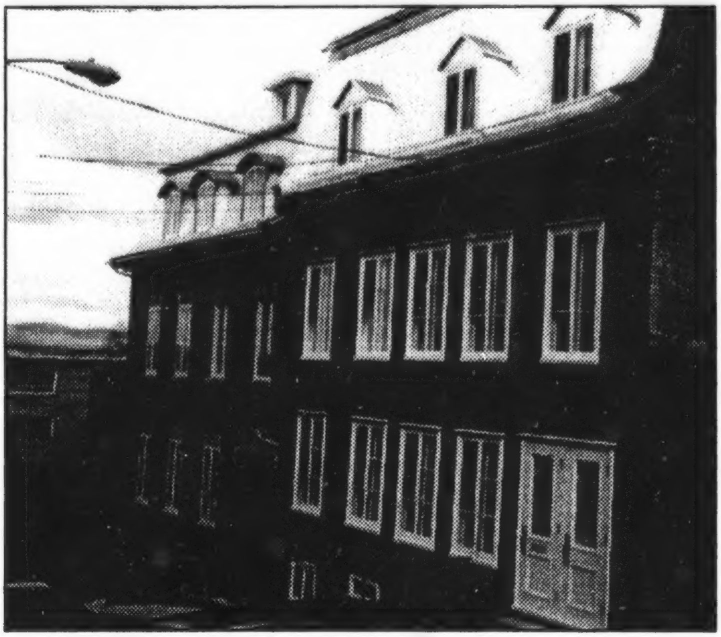
Phone: (604) 882-5337
Fax: (604) 882-9331
Email: acarpent@direct.ca

Development Fund

Le Fonds alternatif de développement régional de l'habitation de Québec

(a.k.a. FADRHAQ)
1089, avenue de Salaberry
Québec, Quebec

Development fund for co-op & non-profit housing



Sponsor:	FADRHAQ
Regional Goals:	• To develop new co-operative and non-profit housing units in the Québec/Chaudière-Appalaches region.
Local Goals:	• To revitalize Québec City's inner city residential core; • To provide tenants with an opportunity to collectively own their property through housing co-operatives; • To strengthen the co-operative movement; • To convince the City of Québec and other potential investors of the effective role an organization like Le Fonds Alternatif de Développement Régional de l'Habitation de Québec can have in delivering affordable housing with little or no government programs; • To develop as many tools as possible for the rendering of affordable housing.
Impetus:	The City of Québec's inner city housing stock is in a state of decline. One of the mechanisms being used to revitalize the inner city residential core is to change some of the mostly tenant occupied housing to owner occupied dwellings. A lot of the inner city residents do not have income levels adequate for independently purchasing a home. Under the correct conditions however a tenant can become a collective owner and member of a non-profit housing co-operative or a tenant of a non-profit housing society.

Project a at glance	
Model	Development fund for co-op and non-profit housing
Sponsor name	Le Fonds Alternatif de Développement Régional de l'Habitation de Québec
Client group	Families, singles, special needs
Land tenure	Freehold title in all cases
Unit tenure	Rental
Reasons for success	Municipal loan to the fund Provincial/municipal programs that encourage renovation/ development Lending terms Sponsor group expertise
Housing form	Various small buildings
Income level	Low to moderate
Location	Québec City, Quebec
# units	14 developed, 30 under development
Status	Funded operational since 1994

Market conditions:

Stagnant economic conditions have contributed to a slow real estate market. Market conditions have created some opportunities for purchasing different types of small residential buildings for conversion to non-profit housing co-operatives or non-profit.

Model employed:

FADRHAQ's priority is to develop co-op and non-profit projects outside government programs or without government subsidies. It also provides financial assistance to housing co-ops and non-profit housing societies which benefit from government housing programs and subsidies.

Other components of the development strategy include tracking the real estate market and placing options to purchase on properties which require no or minor renovations. Mortgage financing is provided from a financial institution and FADRHAQ.

Fund characteristics:

In 1994, the City of Québec provided a $1 million interest-free loan to FADRHAQ for a ten-year period to develop co-operative and non-profit housing projects in the City's urban core. These funds facilitate project development in several ways (see role of sponsor below).

This fund has been used in the acquisition and renovation of several projects as follows:

Developed:

Co-op La Galéjade–Two small apartment buildings. One has three units and one has four units.

Co-op L'Îlot Berthelot–Two small apartment buildings. One has three units and one has four units.

All are older wood frame buildings with brick facing. Three one-bedroom, ten two- bedroom, and one three-bedroom make up the 14 units of the two co-ops.

A nine unit building to be renovated by a property buying society created by the Québec City/Chaudière-Appalaches Regional Co-op Housing Federation or the (Fédération régionale des coopératives d'habitation de Québec), Chaudière- Appalaches (FRECHAQC).

Under development:

A six bedroom house to be renovated for special needs clients of a non-profit housing society

The 14 units of Coop La Galéjade and Coop L'Îlot Berthelot were developed on four separate properties. Three of the four properties obtained renovation subsidies from the Province/City, first mortgages from the lender and second mortgages from FADRHAQ. The fourth property obtained a 1st mortgage from the lender and a mortgage guarantee from FADRHAQ. The nine unit apartment building is financed by two mortgage loans from the Caisse d'économie des travailleuses et travailleurs (Québec) and FADRHAQ.

These are typical developments that FADRHAQ helps develop.

Unit Type	No. of Units	Size (sq. ft.)
1 Bedroom	3	391-702
2 Bedroom	10	652-1,250
3 Bedroom	1	1,350
Total	14	

Residents served:

The residents served are low income one or two parent families and individuals that do contract work or are on social assistance.

Affordability:

The housing charges (rents) vary from $310 for a one bedroom unit to $550 for a three bedroom unit. Two bedroom units are affordable to low income households earning $14,400 per year. The low income cut-off in Québec City for a family of four is $32,800. The units are affordable to the residents served and are slightly below the market rents in Québec City's inner city core.

Unit Type	Low Income units (#)	Low Income rent	Affordability	Comparable rent
1 Bedroom	3	$310-$375	$12,400/yr.	75%-86% of market
2 Bedroom	10	$360-$460	$14,400/yr.	80%-95% of market
3 Bedroom	1	$550	$22,000/yr.	80% of market
Total	14			

Long-term affordability:

Long-term affordability is protected because of the mandate of the organizations involved. In addition, plans have been made to ensure long-term affordability by:

- making sure the mortgage loan and operating costs can be paid by the residents;
- careful budgeting; and
- good property management.

When FADRHAQ develops a co-op in Québec City, the 'Accès à la propriété' (access to property) subsidy program to home buyers paid by the City as well as the three year property tax credit is used by the co-op as replacement reserves in case unforeseen repair work is required.

Land acquisition:

The co-ops or non-profit societies own the land.

Financing:

Requests for information about specific project capital cost budgets should be forwarded to FADRHAQ.

Project expenses are fairly typical. In addition, budgets would include the following amounts:

- Sector contribution (to Federation)—1% of capital costs;
- Tenant education–4-6% of capital costs.

Role of sponsor:

Le Fonds Alternatif de Développement Régional de l'Habitation de Québec is a non-profit organization created in 1986 by the Québec City Regional Federation of Housing Co-ops (or the Fédération régionale des co-opératives d'habitation de Québec, Chaudière-Appalaches) and two Québec City area resource groups; Action-Habitation and SOSACO. Its Board of Directors has always had representatives from these three organizations; in 1994, a City of Québec representative was added to the Board. FADRHAQ's mission is to financially support development of new co-operative or non-profit units in the Québec City and Chaudière-Appalaches regions.

The funds available from FADRHAQ permit project development in the following ways:

- Provide 2nd or 3rd mortgages (currently at 4%) to cover the gap between what a lender will provide (75% of the market value) up to 100% of the capital costs. FADRHAQ's mortgage loan is limited to 35% of the capital costs and must stay within 100% of the capital costs. The fee is limited to $200 per application;
- Provide a mortgage guarantee to a 1st mortgage beyond the 75% market value of a property. The fee is limited to $200 per application;
- Provide a mortgage guarantee to 2nd and 3rd mortgages. The mortgage guarantee is for up to 100% of the property's market value and is limited to $200,000 or less per project. The fee is limited to $200 per application;
- Provide 4% short term interim financing loans to non-profit co-ops or non-profit societies;
- Provide 4% short term loans for options on or purchasing of properties by non-profit co-ops or non-profit societies;
- Has funds to allow appraisals of possible properties;
- Works with available programs, as described below;
- Requires developing co-ops to join the Quebec Regional Federation of Housing Co-ops; and
- Requires non-profit societies to have a FADRHAQ Director on its Board for the time there is a link between both parties.

In addition, FADRHAQ:

- Is an initiator and co-ordinator of projects. Its work includes; researching potential projects within the City's defined urban core, feasibility analysis, development of pro forma documents, meeting with the tenants, negotiating with the property owner, forming of working group, if necessary, work with an architect to evaluate the work, work with the group to determine its need for resource group services, assist the working group in evaluating offers for services from resource groups, ensures services agreement is put in place and monitors the development of the project.
- Collaborates with the Québec City/Chaudières-Appalache Regional Co-op Housing Federation to make known the financial tools for development and to make presentations to obtain investments and financing;
- Collaborates with the region's two resource groups to better know the state of existing housing and the housing market;
- Collaborates with another non-profit society, the Development Society for Collective Housing Ownership in Québec City/Chaudière-Appalaches, a property purchasing organization created by the Québec City/Chaudières-Appalaches Regional Co-op Housing Federation to acquire properties and convert them to housing co-operatives; and
- Works with non-profit co-ops and non-profit societies (e.g. explaining land purchase and sale contracts and agreements between both parties).

Role of key players: (in alphabetical order except for sponsor)

Name	Role	Benefit
Le Fonds Alternatif de Développement Régional de l'Habitation de Québec (Sponsor group)	• Described above	• innovator regarding development of non- profit housing co-ops or non-profit housing projects • possible model for creation of similar organizations for housing co-op federations in Quebec
City of Québec	• Provided $1million interest free loan to assist in the generation of non-profit housing co-ops or non- profit housing projects in Québec City's urban core • Provides a minimum of $1,250/unit in subsidy through its 'Accès à la propriété' program to home buyers • Provides a property tax rebate to home buyers in the City's urban core for three years • Provided staff to serve on the FADRHAQ Board of Directors	• Encouraging homeownership • revitalization of the City's residential urban core • generates a greater property taxpayer base
Province of Quebec	• In partnership with the City of Québec may provide up to 75% in renovation subsidies through 'revitalization' program • In partnership with the City of Québec may provide up to 45% in renovation subsidies and may provide subsidies to low income members or tenants for a period of five years through its 'AccèsLogis' program	• development of co- op/non-profit housing • generates economic activity • revitalizes parts of urban neighbourhoods
Fédération régionale des coopératives d'habitation de Québec-, Chaudière-Appalaches	• Represents housing co-ops to the greater community • Provides ongoing educational and training services to co-op members and property managers	• more members • further develops the housing co-op movement
Regional resource groups	• Develops housing projects • Provides development and education services to non-profit co-ops and non-profit societies	• fee
Caisse d'économie des travailleuses et travailleurs (Québec)	• Lender–provides up to 75% (10% more than other financial institutions) of the mortgage loans to co-op or society for 25 years (five years longer than other financial institutions)	• profits

Name	Role	Benefit
Other financial tool: Société de développement industriel du Québec	• Governmental organization which manages a financial aid program for co-operatives which includes mortgage guarantees on a second mortgage and a guaranteed repurchase of a co-op's preferred shares if required.	• assist in economic activity for co- operatives

Reasons for success:

Economic:

1. City of Québec's loan of funds to FADRHAQ. Because the City's loan is interest-free, FADRHAQ is able to provide loans at below market rates.
2. Joint programs by the Province and the City that encourage housing renovation/development.
3. Lender's preferred lending terms (lower interest rate and longer amortization period).
4. FADRHAQ's role of providing up front work reviewing/acquiring properties, property appraisals, feasibility analysis, interim financing and/or remaining mortgage financing and/or mortgage guarantees.

Other:

1. City of Québec's political support of collective ownership.
2. Key players acting in concert.

Obstacles:

1. Property purchase costs often higher than the tenants or FADRHAQ can offer.
2. Conservative lending practices by almost all the financial institutions approached by FADRHAQ.
3. Lack of property purchase choices due to most properties having a high need for major urgent renovations.
4. Lack of housing subsidies to help tenants pay the cost for housing renovations.

Management:

Requests for information about specific or sample project capital cost budgets can be made to the sponsor.

Operating costs and revenue:

Not applicable

Project/resident satisfaction:

The key players are very satisfied with the provision of long-term, secure, affordable housing to co-owners of housing co-ops.

Tenants of buildings being considered for purchase must generally be in favour of becoming members of a housing co-op. Further development work stops if most of the residents wish to keep things as they are. Residents are commonly satisfied with the affordability of their suites. They are very satisfied with the location (they haven't moved), with their (in a lot of cases) renovated unit and with common ownership and control of their housing.

Transferability:

A model similar to FADRHAQ was established in 1997 on a province wide basis by the provincial government.

The way key players work in concert is also transferable.

Comments:

Many and varied partners and tools will be required to attempt replacing diminished or abandoned senior government affordable housing programs.

Contact:
Maurice Pleau, Coordonnateur
Le Fonds Alternatif de Développement Régional de l'Habitation de Québec
1089, avenue de Salaberry,
Québec, Québec G1R 2V7
Phone: (418) 648-1354
Fax: (418) 648-9991

Appendix A

Classification Matrix—Case Studies of Non-Profit Affordable Housing Initiatives

Model	Name of project	Name of sponsor	Residents Served	Land tenure	Unit tenure	Development approach	Reasons for success	Housing form	Income served/rent	Location units	# of
1. NP rental	Lionsview Building 3	BC Housing Foundation	Seniors	Already owned by sponsor	Rental	New construction/ redevelopment	• Ownership of large parcel of land and increased density • Equity from development of market condominium project • Partnership with developer • Resource group skills	Low rise apts.	Low income • $12,000-$24,000/yr. • $500-$850/mo. or 30% of income	B.C. Vancouver	34
2. NP rental •	Norgate House	Norgate House Society	Seniors & people with special needs	Leased land	Rental	New construction	• Deferred payments on land lease • Donations from 2 foundations • Charitable status • Provincial rent supplement • Commitment of Board, designer and resource group	Low rise apts.	Low and moderate • $865-1185/mo. rent • 10 RGI units	B.C. District of North Van.	36
3. NP rental	Eccles	Centretown Citizens Ottawa Corporation	Homeless people with history of mental illness	Ownership	Rental	Acquisition/ rehab	• Equity contribution by vendor in return for charitable tax receipt • Right property at the right price • Partnership with CMHA • Ability to self-finance at a low rate	2 semi-detached homes	Low income • $412/mo. rent based on shelter component of social assistance	ONT. Ottawa	6
4. NP rental	VanCity Place for Youth	VanCity Enterprises	Youth	60-year lease	Rental	New construction	• Land and cash donations from various • sources totaling $3.2 million • Community determination and support • Developer assumed risk	Low rise apts.	Low income • $325-425/mo. rent	B.C. Vancouver	50
5. NP rental	Hydro House	Kitchener Housing Inc.	Family	Ownership	Rental	Acquisition/ Rehab	• Opportunity to acquire property at a low price • Ability to self-finance at a low interest rate • Municipal support	Single family	Low income • Up to $30,000/yr. • $725/mo. rent	ONT. Kitchener	1
6. Life lease	Southwinds	Community Living Among Seniors (Windsor)	Seniors	Ownership	Right-to-occupy unit	New construction	• Developer assistance to finance purchase of land • Volunteer commitment • Resident equity • Location	High rise	Moderate income • Purchase price $80,200-$165,400 (15% below market)	ONT. London	161
7. Ownership	Le Clos Mont Royal	Habitat sur measure	Empty nesters, single parents and singles who are 1st time homeowner s	Ownership	Condominium	New construction–infill	• Density bonus • Support from city staff e.g., allowing innovation in meeting code • Right property at the right price • Location–neighbourhood specific • High ratio mortgages • Cost-efficient builder • Financial assistance from developer	Low rise apts. Commercial space on ground floor	Low and moderate • $25,000+/yr. • Purchase price $82,000-$139,000	QUE. Montréal	19
8. Ownership	Hart and Ste. Cécile development	Les Habitations Populaires Desjardins du Centre du Québec	Moderate income households	Ownership	Ownership	New construction	• Caisse populaire deferred payment of land for 7 years • Re-zoning allowed for increased density from 1 to 2 homes on the site • Willingness of developer to sell below market	Semi-detached homes	Moderate incomes • $25,000-30,000/yr. • Purchase price of $46,000 for each home	QUE. Trois Rivières	2

Model	Name of project	Name of sponsor	Residents Served	Land tenure	Unit tenure	Development approach	Reasons for success	Housing form	Income served/rent	Location units	# of
9. Ownership*	Parliament Square Co-operative	Parliament Square Co-operative (Options for Homes Resource Group)	Mix	Ownership Building co-op owns land until condo is registered	Condominium	New construction	• Development model that involves building co-op, marketing strategy, discount, and recovering the difference between the cost price and market value to create an equity pool that can start another project • Equity and forgivable loan provided by land owner • 80% presales	Highrise	Mostly moderate • Prices from $63,000-$295,000	ONT. Toronto	180
10. Ownership*	Creighton/ Gerrish development	Creighton/Gerrish Development Association (CGDA)	Mix	Ownership	Ownership and rental	New construction	• Strategy with City & Province to secure land • PDF loan and ACT grant • Provincial mortgage guarantee, interest-free loan and rent supplement • Highly credible development team	Mixed development	**Ownership:** Moderate income from $25,000-$30,000/yr. and prices from $69,500-$89,000 **Rental:** Low income with rents $490/mo.	N.S. Halifax	71
11. Guaranteed equity ownership*	Somerset/ Rochester	Centretown Affordable Housing Development Corp (CAHDCO)	Families with children	Ownership by developer	Ownership: guaranteed return on equity	New construction	• Guaranteed equity model • Partnership with commercial developer • Sponsor perseverance • Freehold strata title instead of condominium	Townhouses on top of commercial	Moderate incomes • Up to $36,000/yr. • Prices from $85,000-$104,000	ONT. Ottawa	12
12. Strata title equity co-op	Moral imperative	Residents (with assistance from Communitas Ltd, resource group)	Young singles/ Artists	Ownership	Strata title co-operative	Acquisition/ Rehab	• Strata title model • Individual high ratio mortgages • Acquisition of reasonably priced bldg. • Member commitment	Low rise apts.	Low income • $500/mo. for housing	ALTA. Edmonton	6
13. Rental co-op	Bluestem Housing Coop	Bluestem Housing Co-op	Young families	Ownership	Co-operative	Acquisition/ Rehab	• Affordable financing • Acquisition of reasonably priced building • Membership participation keeps operating costs down • Sponsor determination	3-storey walk-up apts.	Low incomes • Under $35,000/yr. • $465/mo. rent	MAN. Winnipeg	6
14. Co-housing	Quayside Village	Quayside Village CoHousing Ltd.	Mix	Ownership	Strata title ownership	New construction	• Density bonus • Internal rent supplement/subsidy • Resident equity • Builder and resource group skills • Member commitment • Residents assumed risk as developer	Townhouses & apts. Smaller units larger common spaces.	Moderate incomes • Purchase price $133,000-$230,000	B.C. City of North Van	19
15. Development fund for co-op and non-profit housing	Le Fonds Alternatif de Développement Régional de l'Habitation de Québec (FADRHAQ)	Le Fonds Alternative de Développement Régional de l'Habitation de Québec (FADRHAQ)	Families, singles, special needs	Ownership	Rental	Acquisition & conversion of rental housing to profit rental	• Municipal loan to the fund • Provincial/municipal programs that co-op or non- • Lending terms • Sponsor group expertise	Mostly small apartment	Low to moderate • $310-$550/mo. encourage renovation/development	QUE. Québec City	14 *30

*Under development

ENDNOTES

[1] Model means the development approach used to develop the affordable housing. It refers to more than just tenure. For example, co-housing is a form of ownership that also reflects a new philosophy towards housing.

[2] Low income cut-offs were determined based on data from Statistics Canada.

[3] Early in 1997 the legislation was changed so that now, all public agencies must offer their properties at fair market value.

[4] The re-use of surplus buildings has occured in other jurisdictions. An examply existis of a hydro substation that was converted to housing in Vancouver.

[5] These figures were provided by the London Office, CMHC and are based on 1996 completions. In comparing the market prices form condominiums with the life lease units, it is important to note that the life lease projects offered at least 50% more amenity area (e.g. for underground parking, multi-purpose room, lockers, lounges, workshop, crafts room, exercise room, and wider corridors)